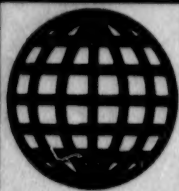


JPRS-EER-90-130  
19 SEPTEMBER 1990



**FOREIGN  
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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-130

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19 September 1990

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## INTRABLOC

### **Warsaw Pact Future: Meeting Preliminary to Budapest Summit Assessed**

*25000770A Budapest NEPSZABADSAG in Hungarian  
23 Jul 90 pp 1-2*

[Interview with Ambassador Dr. Bela Kupper, Warsaw Pact Hungarian representative, by Peter Vajda, in Budapest; date not given: "Where Is General Lusev Going To Be in 1992?"—first paragraph is NEPSZABADSAG introduction]

[Text] Delegates of the governments of Warsaw Pact member countries held their first conference in Prague. Their task is to prepare draft documents for the November summit to be held in Budapest. Hungary was represented by ambassador Dr. Bela Kupper. Peter Vajda talked with him upon his return.

[Vajda] Mr. Ambassador, prior to Prague it appeared that we Hungarians were left alone with our radical point of view, according to which we would quit the military organization by December 1991. Is there a change in this process?

[Kupper] The Prague conference reaffirmed our presumption that we need not be alone in quitting the military organization. Several of our present allies recognize the realistic nature of that step and the anticipated favorable effect with respect to the European processes. They may be prepared to take similar steps. This is what I experienced primarily in regard to the Czechoslovakian and the Polish delegations. Both Prague and Warsaw are proceeding in the same direction: i.e. toward dismantling the present military structure of the Warsaw Pact and the exchange of the present military cooperation system of standards for a different system.

[Vajda] What is the structure, which in their view has become obsolete and is ripe for demolition?

[Kupper] They envisioned the Unified Armed Forces, its core and its commander in chief as well as resolutions which determine the functioning of this organization. Accordingly, the Hungarian position did not become isolated.

[Vajda] Are the Czechoslovakian and the Polish views identical?

[Kupper] I believe that the Polish position is more clearly directed toward distancing themselves from the military organization and for the discontinuation of obsolete elements. Insofar as the Czechoslovakian view is concerned, their increased preparedness to take initiatives is characterized by the fact that they submitted many new proposals in the first round of negotiations, these, however, in part enable transfer of the present substantive cooperation. In other words, these proposals must be treated in a manner that the new structures

which possibly evolve do not burden the countries heavily. I would note that the Romanian position is also close to the Czechoslovakian and the Polish positions.

[Vajda] To what extent are they approaching our concept?

[Kupper] A majority of the Warsaw Pact countries appears to manifest an interest in preserving military cooperation, if not in its present structure, but in some form, even if whatever remains would not be coordinated to a degree as today's forms of cooperation, and even if consultative elements would come to the forefront.... In the future, Hungary could be interested only in military cooperation which does not have the character of a coalition, regarding issues related for example to military technology, because the armaments in our forces are similar.

[Vajda] In other words, the Hungarian position regards a cooperation pronouncedly "not of a coalition" character as desirable in the military sphere, while the same could not be said in this way about others.

[Kupper] This is so, for the time being.

[Vajda] What is the Soviet position? We know that they provide the commander in chief of the unified armed forces, and they direct the staff....

[Kupper] The Soviet position is also in the process of evolution. By now they are also manifesting a preparedness to dismantle the present military structure, the core institutions and the commander in chief of the Unified Armed Forces, moreover this by the time limit specified in the Hungarian proposal. This, however, does not mean that the Soviet Union would not find desirable a military cooperative structure that is different from today's.

[Vajda] In any event, is it certain that General Lusev, the commander in chief of the Warsaw Pact will not be in his present position in 1992?

[Kupper] It is practically certain that there will be no such post, irrespective of what kind of compromises are made.

[Vajda] Actually, one more question must be asked. We determined the date on which we want to leave the military organization. Why then do we take part in negotiations at the conclusion of which the coalition may turn out to be some kind of well functioning club?

[Kupper] Even at the time we leave it is in our interest that a club, if one remains, operates in a manner consistent with European standards. We cannot be indifferent about the future system of alliance once we closed the door behind ourselves. We do not surrender our goal that the dismantling of the entire military structure coincide in time with our departure. And if there still remains cooperation with military aspects, such cooperation should be exclusively defensive, it should be consultative



in character and adaptable to the all-European structures which will definitely evolve.

## CZECHOSLOVAKIA

### Jicinsky Comments on Preparation of New Constitution

90CH0357A Prague LIDOVE NOVINY in Czech  
14 Jun 90 p 14

[Article by Zdenek Jicinsky: "On Basic Problems of New Czechoslovak Constitution"]

[Text] After many years of totalitarian regime, democratic elections to the highest representative bodies, the Federal Assembly and the Czech and Slovak National Councils, were held in Czechoslovakia again. They were elected for a period of two years. One of the main tasks which they should accomplish during that period is the framing of new constitutions, the constitution of the Czechoslovak Federation and the constitutions of both national republics.

It will be a difficult and complicated task for many reasons. The basic problem, which the framers of the new Czechoslovak constitutions will have to tackle, will be a new concept and definition of the premises, foundations, and institutional forms of the Czechoslovak Federation.

During the disintegration of the system of state socialism of Stalinist provenance in European countries, which was given a strong impetus by Soviet perestrojka, problems of nationalities came to the fore everywhere. Unresolved or suppressed controversies among nationalities pose the danger that they may lead to a breakup of the Yugoslav and Soviet federations, to conflicts which sometimes seem insoluble (i.e., the situation in the Caucasus, in the Baltics, etc.)

In Czechoslovakia, fortunately, the problem of nationalities does not have such a character. It is not preceded by a history of bloody nationalistic struggles. It can be therefore assumed that it will succeed in resolving the problem through democratic means. Its specifics and its difficulty lie in the fact that Czechoslovakia is a state composed of two nations, Czechs and Slovaks. That is a fact that appears to simplify the resolution of the problem, but in its way it actually complicates it. In this respect the federative form of the state is a unique phenomenon. It can be compared only to the constitutional structure of the coexistence of the Flemings and the Walloons in Belgium. But in Belgium there is a market economy; the Belgian economy is part of the EEC, and that is a fundamental difference compared to the totally nationalized Czechoslovak economy which now is trying to find a way and means for its transformation into a social market economy. In Belgium there is about 60 percent Walloons and 40 percent Flemings. In Czechoslovakia there are about 10 million inhabitants in the Czech Republic, predominantly Czechs, and in the

Slovak Republic live about 5 million inhabitants, of which ½ million are Hungarians. The ratio of Czechs to Slovaks is 2:1. Even when both nations are equal under the constitution, it is difficult to design such a federative system that would guarantee not only the equality of both nations but also of citizens in the political sphere.

An attempt to set up a federative system for Czech-Slovak relations was made in 1968 within the framework of the "Prague Spring". After it fell victim to the military intervention on 21 August 1968, the federal structure, as the only one of the reforms of the political system, was retained. But it became a mere facade without any real content. That is evident from the fact that during the entire 20 years the constitutions of the federation or of the two republics have not been worked out; no constitutional or other institutions on the federal or the republic level were set up whose existence was assumed by the law on the Czechoslovak Federation (for example, a constitutional judiciary, etc.). The bureaucratic-centralist power system of the CPCZ [Czechoslovak Communist Party] oppressed both nations, Czech and Slovak. On the Czech side in particular the newly created bodies, the Czech National Council and the Czech Government, did not gain any authority or trust. The Czech Republic never became ingrained in the Czech nation.

The experience from the developments that followed the November revolution show that in framing the new federal constitution it will be necessary to consistently take as the point of departure the will of both partners in the federation. The role of the national republics and their agencies will increase. The jurisdiction of the federation and the republics will have to be newly defined. That it is a complicated matter has been known since 1968. Now the solution of this problem will be still more difficult, because there is now no "integrating power" and the political structures in the Czech and the Slovak republics are developing in differing ways. It will be necessary to reach a fundamental political consensus on the extent as well as the content of the integrating role of the federation. At the same time it will be important to proceed rationally and not to give in to various emotions which would prevent finding an acceptable consensus and agreement.

In view of the political changes, demands for national liberation, national emancipation, expression and guarantee of the right of a nation to decide its own fate emerge. In Czechoslovakia this need is particularly strong for the Slovak nation which is historically younger and nationalistically far more sensitive. That is why it is easy for illusions about the possibility of better national development in an independent Slovak nation to appear there, spread by the proponents of separatism. They find support in this among certain circles of Slovak emigres.

In framing the new Czechoslovak federal constitution a dilemma will have to be resolved. Because of the above mentioned reasons, the national-political representatives will be interested in having the center of gravity of state

policy in the republics, which will then agree between them how much jurisdiction they will give to the federation. But at this time, of course, Czechoslovakia, if it is to enter successfully into the integration processes in Europe, must enter them as a single unit, as a relatively strong state. From that standpoint, the jurisdiction of the federation needs to be relatively broad. That pertains especially to the legislative area, but the federation must also have the necessary economic instruments in order to regulate the process of transition from a nationalized economy to a market economy. That is essential not only within Czechoslovakia but also in respect to its international economic relations.

This concept of defining the jurisdiction of the federation could be in contradiction to the desire to strengthen the roles and independence of the Czech and Slovak Republics. That is why it will be so important to follow the principles of a rational solution of the jurisdiction of the Czechoslovak federation and the two national republics.

At this time some of the proposals for the new constitutional structure do not respect these principles and point more to a confederation. That applies not only to the concept and definition of the federation's competence but also to its institutional structure.

In this connection it will be also necessary to decide whether the parliamentary republic will be retained or whether a republic of the presidential type should be introduced. Then, of course, the presidential system could not be only at the federal level. The historical experience thus far speaks more in favor of retaining the parliamentary form of the republic, even though at present the de facto task and full weight of the president's personality extends beyond its constitutional concept. If the parliamentary form of the republic is retained, it will be necessary to renew the traditional relations between the parliament, the president, and the government, in the sense of a certain division of power among them which has been unsuitably simplified in the existing constitution.

Again, as in 1968, the question is asked what kind of structure the federal parliament should have and how it should be formed. The answer to that question also depends to a considerable degree on the relationship between the federation and the republics and their mutual spheres of influence. It is a moot point whether the bicameral parliament should be retained since the equality of both nations can also be guaranteed in a unicameral parliament. Hardly compatible with the federal nature of the state is such a concept of the Federal Assembly according to which its activities would be carried out in joint sessions of both the national councils or their representatives, as is sometimes proposed. As far as the federal government is concerned, the question is to what extent the principle of parity should be applied.

On the assumption that in the new constitution the sphere of influence of the federation will be expressed on a broader scale, it would be more appropriate to define

also the citizens' rights and freedoms in it. The specifics of these rights and freedoms could be included in the national constitutions without having to repeat their overall structure. The constitutional judiciary and basic principles of the organization and activities of the judiciary should also be defined in the federal constitution.

All these basic and other questions of the Czechoslovak Federation and its constitution are at present open. To resolve them, new political and constitutional institutions and processes will have to be searched for and created. The theoretical and practical experiences of other federations will be very important to us, even though in view of the two-member structure of the Czechoslovak Federation they will not be easily applied. A problem is also the short time in which this issue is supposed to be resolved, if we think about what all the legislative bodies will have to do in the legislative area. This is not a simple situation, these are not simple tasks. But if there is the necessary will on both the Czech and the Slovak part for a political consensus, these constitutional problems will certainly be successfully resolved to the benefit of both nations and the nationalities living on Czechoslovak territory. The success of this effort is not only in their interest, it extends beyond the borders of Czechoslovakia. After all, the peaceful development in Europe, the development of an all-European cooperation and integration assumes that the economic problems and general crises in the Central and East European countries will be calmly and successfully resolved. That of course includes also a peaceful development in the Soviet Union. Certain conditions have been created for a peaceful and free development of all of Europe, for its gradual unification undreamt of only a short time ago. That makes the challenge of the new tasks and the need for a joint effort for accomplishing them even more significant.

#### **New Approach to Financing Science Sought**

90CH0354A Prague OBCANSKY DENIK in Czech  
30 Jul 90 p 4

[Interview with Vladislav Hancil, vice chairman of the presidium of the Academy of Sciences, by Olaf Snajder; place and date not given: "The Twilight of Our Science?"—first paragraph is OBCANSKY DENIK introduction]

[Text] The proclamation adopted recently by the general assembly of the CSAV [Czechoslovak Academy of Sciences] states: "In the coming years our scientific base will face the danger of a breakdown and an exodus of its researchers to foreign countries. To us it seems absurd that the process of devastation of our science, started by the former regime, could be intensified in a situation of a free development." The future of science will depend to a great extent on their financial security. We discussed that particular problem with the deputy chairman of the CSAV's presidium, Vladislav Hancil.

[Snajder] How will our scientific research be financed in the new free market economic situation?

[Hancil] To apply the market mechanism to science is unthinkable. The usual method of financing science in the world is by means of a grant, which is a type of special purpose subsidy. Scientific teams propose topics for whose development they have capacities available and a commission of judges selects from their proposals those which show the greatest promise and which are most exigent and give them a grant. A logical precondition here calls for an organization of agencies to collect funds to finance the sciences. Funds may be derived from various sources; the simplest form is a system of contributions that gives tax relief to enterprises that contribute to the fund, as practiced everywhere in the West. Czechoslovak laws still do not provide such opportunities and therefore, in the first stage, the only contributor will be the state. A Federal Foundation for Science should be established.

[Snajder] Who will make decisions about the grants?

[Hancil] Branch councils (for example, for chemistry or physics) composed of top scientists who are competent to determine the significance of individual projects.

[Snajder] When do you think the Fund for Science will be established?

[Hancil] According to the published schedule for the economic reform, it should be approved in 1991-92. The system of grants would then be set up one year after that. We hope to speed up that whole process.

[Snajder] As far as I know, financial funds for the sciences should consist of two parts—the institutional and the grant sectors. Thus far, we have discussed only the latter. How important is the institutional part and what relation is there between the two sectors?

[Hancil] For an institution to operate, it must be maintained; it must have a library, telephone, and in modern times also a computer system, and so on. The institutional component represents a kind of an executive board without which grants could not even be obtained. We would like to achieve an index of 90 percent for the institutional sector and 10 percent for the grant sector. Minister Klaus is urging a 50:50 ratio. Such a system would be extremely unstable; if we presume that there will be a single state fund, it would mean instant disbanding of teams and laboratories that do not get a grant in the first year. Some compromise—perhaps 75:25 or 80:20—may be acceptable.

[Snajder] Can there be any comparison between the volumes of funds contributed to science in advanced countries in the West and in our country?

[Hancil] That is hard to judge because grants for science in other countries do not come exclusively from state funds but also from foundations and large corporations. In per capita conversion we certainly are lagging behind by more than one half. In addition, in recent times we were forced to combine

science-research-production-application; some of the applications made at the cost of sciences are 10 to 100 times more expensive. They will now become the concern of the individual who wants to make money from a given invention. Of course, on the other hand, every scientist aspires to practical applications of his ideas. I should like to mention here the example of O. Wichterle (the inventor of contact lenses), now the chairman of the CSAV, who, for lack of any other alternative, made the first model of his hydrophilic lenses from Merkur children's building blocks.

[Snajder] You may have no other alternative but to follow his example. This year again the budget of the Academy has been trimmed.

[Hancil] Indeed, by ten percent, specifically by Kcs86 million. Many people think that our burgeoning science must be drastically curbed. I agree that it should be cut back in terms of personnel and possibly also of institutions, but certainly not in terms of funding.

[Snajder] The system operating thus far was one where orders from above identified preferred directions for future development. Our country is small, and thus, certain specialization and consequently, also some priorities may be necessary. Who will determine them?

[Hancil] It cannot be decided in advance that the most important research in medicine is mainly in the field of cardiovascular diseases. A contribution to medical sciences was, for instance, the research in the Institution for Plasma Physics which dealt with seemingly unrelated matters of thermonuclear fusion and the use of electron beams for the heating of the plasma, and its ultimate outcome was the model of the first Czechoslovak crusher of kidney and gallbladder stones.

Furthermore, research in crystallography proved to be the most important contribution for the solution of the DNA structure; no official could have any grasp of such a latitude, let alone be able to make decisions about it. In fact, results are always serendipitous and great discoveries are made only by people who can readily come up with a correct interpretation of every new phenomenon they encounter. For that reason, we are adamantly opposed to all orders from above that set preferred directions. We must find a new structure and new optional mechanisms by ourselves and on these bases alone we can identify our new priorities. We will not accept any orders from some official who sits in the State Planning Commission, in the Ministry of Strategic Planning, or in the Ministry of Finances.

## HUNGARY

### National Security Law Amendments

#### Nemeth Council of Ministers Decree

25000766B Budapest MAGYAR KOZLONY  
in Hungarian No 41, 2 May 90 pp 985-986

["Text" of Council of Ministers Decree No. 90/1990 MT of 2 May 1990]



[Text]

**Council of Ministers Decree No. 90/1990 MT of 2 May 1990 Concerning Amendments to Decree No. 26/1990 MT of 14 February 1990 Regarding the Provisional Regulation of Performing National Security Tasks**

Based on authority granted under 11.(7) of the Decree having the force of law No. 17 of 1974, as amended by Law No. X of 1990, concerning the provisional regulation authorizing special secret service means and methods, the Council of Ministers orders the following:

**Paragraph 1**

2. (1) of Decree No. 26/1990 MT of 14 February 1990 concerning the provisional regulation of performing national security tasks (hereinafter: "R") shall be supplemented by the following section (f):

"(It is a national security task):

(f) to organize the protection of, and technological control over all security documents."

**Paragraph 2**

2. (2) of the R shall be replaced by the following provision:

"(2) It is the task of the information service: (a) to support governmental activities aiming for the enforcement of the interests of the Hungarian Republic ["MK"] by organizing the acquisition, analysis and evaluation of confidential information; (b) to operate the National Cipher Center, and to organize the provision of cipher equipment to state organs having appropriate authority."

**Paragraph 3**

2. (5) of R shall be replaced by the following provision:

"(5) Within the scope defined in this Decree the services shall exercise the legal functions of an authority, but they may not apply forced action restricting personal freedom."

**Paragraph 4**

6. of R shall be supplemented by sections (2)-(3), with the simultaneous designation of the present text as (1):

"(2) Detailed rules for the disciplinary holding to account of professional and civilian employees of the National Security Office and of the Information Office are contained in the Offices' Disciplinary Rules. (3) References to a minister relative to the armed forces and armed bodies shall be understood to mean the chairman of the National Security Office and of the Information Office, references to armed forces and to armed bodies shall also be understood to mean the National Security Office and the Information Office."

**Paragraph 5**

This Decree takes effect on the day it is proclaimed.

[Signed] Miklos Nemeth  
Chairman of the Council of Ministers

**Antall Council of Ministers Decree**

*25000766B Budapest MAGYAR KOZLONY  
in Hungarian No 55, 11 Jun 90 p 1215*

["Text" of Council of Ministers Decree No. 98/1990 MT of 11 Jun 1990]

[Text]

**Council of Ministers Decree No. 98/1990 MT of 12 Jun 1990 Concerning Amendments to Decree No. 26/1990 MT of 14 February 1990 Regarding the Provisional Regulation of Performing National Security Tasks**

Based on authority granted under 11.(7) of the Decree having the force of law No. 17 of 1974, as amended by Law No. X of 1990, concerning the provisional regulation authorizing special secret service means and methods, the Council of Ministers orders the following:

**Paragraph 1**

4. of Decree No. 26/1990 MT of 14 February 1990 concerning the provisional regulation of performing national security tasks (hereinafter: "F") shall be replaced with the following provision:

"4. The prime minister directs the national security service and the service performing information tasks through the political state secretary charged with these functions, in the Office of the Prime Minister."

**Paragraph 2**

6.3 of R shall be replaced with the following:

"(3) References to a minister relative to the armed forces and armed bodies shall be understood to mean the chief director of the National Security Office and of the Information Office, references to armed forces and to armed bodies shall also be understood to mean the National Security Office and the Information Office."

**Paragraph 3**

This Decree takes effect on the day it is proclaimed.

[Signed] Dr. Jozsef Antall  
Prime Minister



## Local Government Law: Major Parties Compromise, Agree

### Summary of Agreement

25000774B Budapest MAGYAR HIRLAP in Hungarian  
27 Jul 90 p 3

[Article by SZ. A.: "Agreement on Autonomous Governing Bodies"]

[Text] An agreement was reached between the Hungarian Democratic Forum [MDF], the Alliance of Free Democrats [SZDSZ] and the other four parties represented in parliament in regard to the legislative proposals concerning autonomous [local] governing bodies, and the election of local governing bodies. The SZDSZ appeared to yield regarding the former, the MDF regarding the latter.

Based on the agreement, the concept of the so-called autonomous counties continues, with the condition that county general assemblies may issue decrees only in a manner specified by law. Essentially, the institution of the county executive remains; its designation will be: "delegate of the Republic." Contrary to the administration proposal, however, the delegate would not be stationed in the 19 counties and in the capital city, but in the centers of the eight regions: Győr, Pécs, Veszprém, Szeged, Debrecen and Miskolc. In addition, individual delegates of the Republic would oversee the capital, and Pest and Nógrád counties. According to the original proposal these persons would have been appointed by the prime minister. Based on the agreement, however, the appointments will be made by the president of the Republic, countersigned by the prime minister.

The legislative proposal being prepared based on the consensus, also separates the state administrative functions of the mayor and the town clerk in a more pronounced fashion.

As compared to the administration proposal, there will be significant changes in the local election law. According to the administration proposal only the settlements with fewer than 5,000 inhabitants would directly elect mayors, and in these municipalities they would use the so-called short slate election system. Based on the agreement the threshold number for the population is increased to 10,000 inhabitants, thus 90 percent of the settlements will elect mayors and will conduct elections based on a short slate.

In settlements with populations of more than 10,000 people and in the administrative districts of the capital city, local representatives will be elected on a 50-50 basis from slates and from individual voting districts to the [representative] bodies. This solution is less favorable from the standpoint of large parties.

The free democrats broke the governing party's will also in regard to the fact that the National Assembly will adopt the law concerning autonomous governing bodies

by the vote of a two-thirds majority, rather than a simple majority, the way the coalition had originally contemplated this matter.

They also agreed to strongly limit the chance of holding a second round of local elections. To accomplish this [the agreement specifies that] it would suffice for a mere 40 percent of the voters to cast their ballots, and candidates could become local representatives based on 25 percent of the valid votes cast.

After appropriate redrafting, the two legislative proposals are expected to be scheduled for plenary debate next Wednesday and Thursday; committee meetings may take place on Monday and Tuesday.

"At last, the six party reconciliation negotiations were successful, an agreement was reached in regard to almost every essential issue," this newspaper was informed by Maria Korodi, one of the SZDSZ local government experts. "Actually only one question was left open—but true, this question is the most difficult: the financial part of the law."

### Past Differences

25000774B Budapest HETI VILAGGAZDASAG  
in Hungarian 21 Jul 90 pp 4-6

[Article by Jeno Kaltenbach: "Debate Concerning Autonomous Governing Bodies; County Executive the Petty Monarch"]

[Excerpt] [passage omitted] The present legislative proposal advanced by the cabinet is a modernized version of the local administrative system prior to World War II. But the counties ["castle county"] of those days were almost purely local authorities, i.e., they were not part of an autonomous governing system. This in contrast with the (castle) county [concept] advanced in the present proposal, which intends counties to simultaneously serve as both local authorities and autonomous governing bodies. The county organization would also run a dual course: If the legislative proposal is adopted, the county executive and his apparatus would have offices separate from the representative body and the related specialized apparatus. Deviating from the earlier castle county system, the present administration proposal provides that the county executive is not the head of the county autonomous governing body, and even the authority of the county autonomous governing body is significantly reduced: it is limited to the narrow field left between the autonomous governing bodies of settlements on the one hand, and the authority of the county executive, on the other.

The county differs from its predecessor in regard to a single essential point: the government would not exercise supervision, but would exercise control over autonomous governing bodies, and with that the oversight authorities of courts would gain strength. Just how large this difference will be will depend on the extent to which

the government considers the autonomous governing bodies to be autonomous in the framework of subsequent legislation.

The SZDSZ counterproposal serves "educational purposes" and intends to manifest liberal values upon which they believe the law concerning autonomous governing bodies should rest. Following Anglo-Saxon traditions, they try to render local autonomous governing bodies as independent from the government as possible. It does not recognize either government oversight, or a tamed version of that. The SZDSZ concept totally disregards the middle level of autonomous governing bodies (i.e., the county system). It entrusts the evolution of larger units to the free association of autonomous governing bodies. A middle level governmental administrative system of this type would be without precedent in Europe. Under no circumstances could it be realized in the course of local elections planned for late September. [passage omitted]

#### **State Secretaries: Qualifications, Party Backgrounds, Holdovers**

25000773E Budapest HETI VILAGGAZDASAG  
in Hungarian 14 Jul 90 pp 71-72

[Article by Endre Babus: "The State Secretaries of the Antall Administration; 300 Years of Background"]

[Text] The Antall cabinet is still ardently seeking deputy state secretaries for the Ministries of Finance, Culture and Education, and International Economic Relations. Aside from that, however, it succeeded in establishing the "second line" of leading government officials in 50 days. Almost half the number of the new state secretaries are former government officials: A number of officials of the Nemeth cabinet retained or improved their positions.

For the past few weeks a chief gardener belonging to the Smallholders Party has occupied the chair of the political state secretary in the Ministry of the Interior, but it would be too early to draw far-reaching conclusions. The post of the political state secretary in the Ministry of Culture and Education is occupied by a Christian Democrat who is an expert on prices. This appointment must also be received with contemplation and interest. Aside from the above-mentioned exceptions, however, there can be no doubt about the professional qualifications of the second echelon of the new administration. According to HETI VILAGGAZDASAG [HVG] data, obtained directly or indirectly from the persons involved, more than 90 percent of the state secretaries hold diplomas commensurate with assignments, although it is true that one third of them, obviously the slogan of integrating with Europe in mind, would be unable to negotiate in any foreign language.

The greatest professional deficiencies manifest themselves in the upper caste of the 71 member corps of state secretaries. In a manner similar to the establishment of

the cabinet in May (HVG 26 May 1990), the Independent Smallholders, Agricultural Workers and Citizens Party [FKgP] and the Christian Democratic People's Party [KDNP] were also at this time incapable of nominating highly prestigious, well known politicians. At the same time it is remarkable that the prime minister dispatched political state secretaries coming from the Hungarian Democratic Forum [MDF] to all ministries managed by the FKgP or the KDNP, i.e. to the Ministries of Agriculture, Labor Affairs and Public Welfare.

Apparently, this solution was meant to serve the interests of hegemony of the party which won the elections. Simply put: they are trying to prevent either the FKgP or the KDNP from expropriating individual ministries or from attempting to enforce party endeavors as [economic] branch interests. At the same time the MDF concentrated particularly significant forces to direct professional work in ministries which continue to be managed by the men of the old nomenclature (in the positions of administrative or deputy state secretaries. At this point it makes no difference whether the Administration was forced to make these appointments, or if it made the appointments based on sober consideration.) This endeavor may be observed in particular in the Foreign Ministry, and in the Ministries of Finance, Defense and International Economic Relations. Without exception, the political state secretaries in the above mentioned ministries are MDF personalities: Tamas Katona, Katalin Botos, Erno Raffay, and Laszlo Bogar.

Antall retained about half of the leading officials inherited from the Nemeth cabinet in administrative and deputy state secretary positions, although part of these were reassigned. These officials provide immediate direction to the professional apparatuses in ministries. Antall filled the rest of the posts with professionals who enjoy his confidence, and his own MDF cadres (see our table on p. 72). In a manner similar to some of the political state secretaries, the latter were active in public life within churches or organizations close to churches. One of the new deputy Interior Ministry state secretaries—Laszlo Korinek, for instance, regarded as the Hungarian expert on so-called hidden criminal activities—is the lay president of the Kolping Catholic Society, while Miklos Lukats, the political state secretary in the Ministry of Culture and Education, is the presbyter of the Budapest Evangelical Assembly. At the same time one must recognize that in selecting the new ministerial staff executives the prime minister did not regard people's outlook on life, or more accurately: party membership as grounds for exclusion. In the second echelon of the new government, one may find some persons (e.g. Industry Ministry State Secretary Laszlo Kecskes and Office of the Prime Minister Political State Secretary Gyorgy Matolcsy) who were elevated to cabinet positions despite their earlier membership in the Hungarian Socialist Workers Party [MSZMP].

As far as the professionals of the old nomenclature who stayed in office are concerned, one cannot tell yet whether the adoption of these 29 executives was a result

of shortages within the corps of experts of the governing coalition, or if this decision also reflects a certain political pragmatism. In any event, the fact is that to a significant degree the new cabinet adopted from the earlier administration young experts with a technocratic outlook—e.g., Imre Verebelyi (Interior Ministry), Tibor Bogdan (Industry Ministry), Imre Szokai (Commerce Ministry)—who entered the state administration during the second half of the 1980's, not so much for their devout political commitment to the old order, but for their expertise.

The big questions to be answered in the future will be whether the state secretaries with an MSZMP background may remain in their posts only temporarily, in the interest of professional continuity. If summary anti-communist tendencies like those represented by [FKgP representative] Jozsef Torgyan gain strength in the governing coalition, the days of those who "served the old system" are most likely numbered. In this case it is obvious that the old leaders may be made the scapegoats for fiascos in governance. Similarly, one cannot rule out renewed house cleaning actions in the state administration, along the pattern of the 1947 Ministry of Agriculture trials, except in the opposite direction. It is not difficult to foresee that in this case the main charge against the "executives who saved themselves" will be those accumulated 300 years the old cadres jointly spent in the old state party. It is not at all inconceivable that the earlier management in the Finance Ministry without exception left their offices because they were unable to rule out that events could turn in this direction.

Quite naturally, there are other, more reassuring, possible perspectives. In theory at least, one cannot rule out the possibility that in a manner similar to the negotiated revolution of 1988-89, not only the political system will evolve in an organic manner, but also the governing elite

which directs the system. In this case the reform forces and the well-trained technocrats of the ancien regime could find a place in the coalition state administration, provided that they declare political loyalty to the new government.

At the same time it would be a waste of time to deny that the Christian ethos of the new ministers, political state secretaries and other leading government officials cannot be reconciled easily with the mundane order of values of the old staff. For this reason at least a certain amount of skepticism is warranted in regard to their long term cooperation.

As of recently, certain groups within the former state party have been making the point that they were being persecuted, and have talked of layoffs for months. But news concerning this kind of cleanup was spectacularly countered, for example, by a parliamentary decision last week, when the legislature elected former MSZMP members, highly respected law professors Kalman Gyorgyi and Peter Schmidt, for four- and nine-year terms to serve as chief prosecutor and as a Constitutional Court judge respectively.

In observing the way the composition of the corps of new state secretaries takes shape, suspicion arises that certain individual cadres received high state positions not on the basis of their individual qualifications, but for certain political services rendered. Above all, we may be witnessing a spectacular "change of colors" in the person of Gyorgy Szilvasy. Not too long ago he belonged to Imre Pozsgay's group. A few weeks ago he came close to Jozsef Antall in the capacity of a deputy state secretary. Supposedly, the rising career of this young politician is related to the successful work he performed during the months preceding the elections, as secretary of the radio and television curatorium, in the interest of parties which supported that consultative body, not the least MDF.

#### LIST OF STATE SECRETARIES

Function, Name, Age	Previous Workplace and Position	Present Assignment in Government	Party Membership
<b>Office of the Prime Minister</b>			
<b>Political State Secretary</b>			
Boross, Peter (61)	Retired catering industry president	National Security and Information Office	—
Entz, Geza (41)	Hungarian Academy of Science [MTA], Art History Research Group	Hungarian nationalities, science policy	MDF
Matolcsy, Gyorgy (35)	Chief associate, Financial Research, Inc.	Chief, economic secretariat	—
Palos, Miklos (53)	Attorney, Szekszard No. 3 Lawyers' Work Cooperative	Ethnic, minority, and church affairs	KDNP
<b>Administrative State Secretary</b>			
Kajdi, Jozsef (32)	Industry Ministry deputy chief division director	Chief of professional staff	—
<b>Deputy State Secretary</b>			
Muller, Gyorgy (40)	Chief counsellor, Office of the Council of Ministers	Legal affairs	—

**LIST OF STATE SECRETARIES (Continued)**

Function, Name, Age	Previous Workplace and Position	Present Assignment in Government	Party Membership
Szilvasy, Gyorgy (32)	Secretariat of the State Secretary, Council of Ministers, secretary to the Radio and Television Curatorium	Supervision of financial and budget affairs, management	MSZP*
Laszlo, Balazs (46)	MTI news agency, shift manager	Cabinet spokesman	—
<b>Ministry of the Interior [BM]</b>			
Political State Secretary			
Morvay, Istvan (52)	Chief gardener, Budapest City Council	Parliamentary liaison	FKgP
Administrative State Secretary			
Verebelyi, Imre (46)	Deputy interior minister	Chief of professional staff	MSZP*
Deputy State Secretary			
Kara, Pal (52)	BM chief division director	Autonomous local government affairs	—
Komor, Attila (41)	Chief division director, Hungarian National Bank	BM bodies financial affairs, direction of the management of special facilities	—
Korinek, Laszlo (44)	Adjunct professor, Janus Pannonius University of Sciences [JPTE]	Direction of the police, the border guards, and the fire services	—
<b>Ministry of Agriculture [FM]</b>			
Political State Secretary			
Sarossy, Laszlo (45)	Secretary, Agricultural Sciences Society	Parliamentary liaison	MDF
Administrative State Secretary			
Mandy, Endre (57)	Chief counsellor, FM & Food	Chief of professional staff	—
Deputy State Secretary			
Neszmelyi, Karoly (45)	Chief engineer, Protein Technology Scientific Production Society, University of Agricultural Sciences	Direction of food industry, forestry, technical development	—
Harza, Lajos (49)	Agricultural Economy Research Institute	Entrepreneurial development, economics	—
Szoke, Karoly (49)	Executive, FM&Food	Food and plant health, wholesomeness of food, land issues, law	—
<b>Ministry of Defense [HM]</b>			
Political State Secretary			
Raffay, Erno (41)	Docent, JATE (abbreviation unknown)	Parliamentary liaison	MDF
Administrative State Secretary			
Annus, Antal (49)	Deputy chief of staff, Hungarian Armed Forces	Chief of professional staff	—
Deputy State Secretary			
Beothy, Mihaly (44)	Interspace [as published] secretariat, MTA	Deputy chief of the ministry's professional staff	—
<b>Ministry of Justice [IM]</b>			
Political State Secretary			
Isepy, Tamas (66)	Attorney, Miskolc Lawyer's Work Cooperative	Parliamentary liaison	KDNP
Administrative State Secretary			
Bogdan, Tibor (33)	Deputy minister of justice	Chief of professional staff	—
Deputy State Secretary			
Bard, Karoly (39)	Deputy minister of justice	Criminal, penal, and international law	—
Kecskes, Laszlo (37)	Lecturer, JPTE	Civil law, business law	—
Papacsy, Edit nee Fluck (49)	Chief division head IM	Public law	—
<b>Ministry of Industry and Commerce [IpKM]</b>			
Political State Secretary			



## LIST OF STATE SECRETARIES (Continued)

Function, Name, Age	Previous Workplace and Position	Present Assignment in Government	Party Membership
Pohankovics, Istvan (35)	Chief accountant, Kiskoros State Farm	Parliamentary liaison	FKgP
Administrative State Secretary			
Auth, Henrik (39)	Deputy minister of industry	Chief of professional staff	—
Deputy State Secretary			
Schagrin, Tamas (52)	Chief division director, Industry Ministry	Commerce, foreign tourism, privatization of catering industry	—
Botos, Balazs (50)	Director, Industrial Economics Institute	Industrial policy, technical development, external economic relations	—
Bakay, Arpad (61)	Retired engineer, member of an economic work cooperative (GMK)	Energetics	MDF
<b>Ministry of Environmental Protection [KvM]</b>			
Political State Secretary			
Tarjan, Mrs. Laszlo (58)	Retired forestry engineer	Parliamentary liaison	FKgP
Administrative State Secretary			
Kiss, Elemer (46)	Chief, Office of the Council of Ministers	Chief of professional staff	—
Deputy State Secretary			
Barath, Etele (48)	State secretary, Ministry of Transportation, Communications, and Construction	Settlement and area development	—
Illes, Zoltan (29)	Environmental Management Institute	Protection of the environment and nature	—
<b>Ministry and Transportation and Communications [KHM]</b>			
Political State Secretary			
Rajkai, Zsolt (50)	Budapest Technical University	Parliamentary liaison	FKgP
Administrative State Secretary			
Gyurkovics, Sandor (53)	Chief Division Director, Ministry of Transportation, Communications and Construction	Chief of professional staff	—
Deputy State Secretary			
Kalnoki Kiss, Sandor (53)	Deputy minister, Ministry of Transportation, Communications, and Construction	Rail, public road, water, and air transportation	—
<b>Foreign Ministry [KM]</b>			
Political State Secretary			
Katona, Tamas (58)	Lecturer, JATE	Parliamentary liaison	MDF
Administrative State Secretary			
Somogyi, Ferenc (45)	Foreign Ministry state secretary	Chief of professional staff	—
Deputy State Secretary			
Alfoldi, Tade (44)	Chief division head, Foreign Ministry	Relations with Western Europe	MSZP
Meiszter, David (59)	Foreign Ministry, ambassador	UN relations, disarmament, and security affairs	—
Szokai, Imre (40)	Deputy foreign minister	East European relations	MSZP
Tomai, Denes (41)	Head of the developing countries desk, Foreign Ministry	Relations with regions outside of Europe	—
<b>Ministry of Labor Affairs [MM]</b>			
Political State Secretary			
Szabo, Tamas (37)	Director, Komfort enterprise	Parliamentary liaison	MDF
Administrative State Secretary			
Lorincz, Gyorgy (41)	Chief division director, State Wage and Labor Affairs Office [ABMH]	Chief of professional staff	—

**LIST OF STATE SECRETARIES (Continued)**

Function, Name, Age	Previous Workplace and Position	Present Assignment in Government	Party Membership
Deputy State Secretary			
Adam, Lorant (48)	Deputy Director, Continuing Legal Education Institute	Occupational safety	—
Herczogh, Laszlo (41)	Chief division head, ABMH	Labor mediation	—
<b>Ministry of Culture and Public Education [MKM]</b>			
Political State Secretary			
Lukats, Miklos (44)	Expert, EGSZI [not further expanded]	Parliamentary liaison	KDNP
Administrative State Secretary			
Manherz, Karoly (48)	Deputy minister of culture	Chief of professional staff	—
Deputy State Secretary			
Cseresznyes, Laszlo (42)	Acting chief division head, Ministry of Culture	Economics	—
Fekete, Gyorgy (57)	Vice chairman, Hungarian Creative and Industrial Arts Association	Cultural affairs	MDF
Honti, Maria (51)	Principal, Sagvari Gymnasium, Budapest	Education	—
<b>Ministry of International Economic Relations [NGKM]</b>			
Political State Secretary			
Bogar, Laszlo (39)	Deputy division head, Planned Economy Institute	Parliamentary liaison	MDF
Administrative State Secretary			
Martonyi, Janos (46)	Privatization commissioner (deputy minister)	Chief of professional staff	—
Deputy State Secretary			
Berenyi, Lajos (54)	Deputy chairman, National Planning Office [OT]	CEMA relations	—
Gombocz, Zoltan (48)	Commerce Ministry state secretary	Commercial development, head of investment agency	—
<b>Ministry of Public Welfare [NM]</b>			
Political State Secretary			
Kelemen, Andras (50)	Physician, Szekesfehervar Hospital and Clinic	Parliamentary liaison	MDF
Administrative State Secretary			
Javor, Andras (43)	SZEM [not further expanded], head of reform secretariat	Chief of professional staff	—
Deputy State Secretary			
Bajtay, Andras (51)	Physician, Gyor County Clinic	Healing, preventative medicine	MDF
Pulay, Gyula (34)	Deputy chief division director, ABMH	Business and financial affairs	—
Rokusfalvy, Pal (58)	Professor, Physical Education Academy	Child and youth protection	—
Zam, Maria (39)	Associate, National Health Protection Institute	Social policy	—
<b>Ministry of Finance [PM]</b>			
Political State Secretary			
Botos, Katalin (49)	Adviser, Agricultural Economics Research Institute	Parliamentary liaison	MDF
Administrative State Secretary			
Kiraly, Peter (37)	Chief division head, PM	Chief of professional staff	—
Deputy State Secretary			
Draskovics, Tibor (35)	Chief division head, PM	Legal division, securities, banking, insurance oversight, taxation	—

## LIST OF STATE SECRETARIES (Continued)

Function, Name, Age	Previous Workplace and Position	Present Assignment in Government	Party Membership
Thuma, Jozsef (53)	Group chief, OT	Oversight of entrepreneurs	—
Kovacs, Almos (48)	Acting director, Informatics and Methods Institute, OT	Economic policy	—

\* Party membership suspended

**Land, Property Settlement: Yardstick for Democracy**

25000773A Budapest NEPSZABADSAG in Hungarian  
21 Jul 90 p 7

[Interview with Smallholders Party representative Geza Zsiros by Peter Szirmai; place and date not given: "We Protect Small (Agricultural and Commercial) Plants"—first paragraph is NEPSZABADSAG introduction]

[Text] Dr. Geza Zsiros is an outstanding member of the Smallholders Party parliamentary faction. He is a practicing agricultural expert and holds a doctorate in the agricultural sciences. As a private entrepreneur he is closely tied to the food economy. I am inquiring about the attack on his party relative to its land program: "Why is 1947 necessary?"

[Zsiros] The 1945 land distribution was a democratic measure taken by the Provisional National Assembly of those days. It had the blessing of the allied powers, but its implementation was completed only in 1947. We respect this democratic Law No. 600 of 1945 even today.

[Szirmai] Accordingly, will there be land distribution?

[Zsiros] It will settle the matter of land ownership! Land distribution will take place only in regard to those 400,000 cooperative members who by then were unable to contribute land to the common, and whose membership dates back prior to 31 December 1986.

[Szirmai] How will there be enough land for that?

[Zsiros] One million hectares will be needed altogether, based on the 2.5 hectare average property [determined in] 1945. But there are 1.3 million hectares of land in cooperatives. These lands were transferred from state ownership for use by cooperatives, and later into cooperative ownership. Thus we will not take away the property rights of the old owners and their heirs. In the end this is a kind of privatization.

[Szirmai] What is the limit in property settlements: the general store or the Goldberger [textile] Mill?

[Zsiros] Sooner or later we will find out whether we have a democratically elected parliament. The yardstick by which democracy should be measured is the degree of protection to people and property. This will be a true democracy only if we recognize that theft took place, and if we go back to the point where rights were violated. We can reverse the violations perpetrated during the Rakosi era by endeavoring to restore the original condition. Our plan includes the idea that we recognize the injustice suffered by nationalities and that we restore the original

condition also with respect to them. But it is [also] our intention to return the grocery stores and the 1,200 nationalized pharmacies to the original owners and their heirs. We do take into consideration the claims of 200,000 merchants who were deprived of everything. Accordingly, we protect the small plant.

[Szirmai] There was also a law in force in regard to the establishment of cooperatives.

[Zsiros] You either do not hear me or you work for the wrong newspaper. The cooperative law was unconstitutional because it disregarded the constitution of 1949. In my view this law was not a law, because it was created by dictatorial means, just like the cooperatives.

[Szirmai] Would it be correct to say then that democracy determines the extent of rehabilitation?

[Zsiros] We respect the democratic measures of 1945. The government has rehabilitated people whose personal rights were violated, the rehabilitation of those whose property rights were violated, is next.

[Szirmai] Do you think it is possible to settle the land ownerships without a decline in production?

[Zsiros] It can be implemented along with increased production! But in this new "setting" there is no need for this increase in production, this level of production. Whenever we speak of crop averages we do not mention the related costs. It is stunning that the production of certain plants takes place at a deficit.

[Szirmai] The agricultural market is subsidized everywhere in the developed Western world.

[Zsiros] This is true, in the Federal Republic of Germany subsidies are provided at the level of 180 percent, but this includes the protection of the environment and of nature.

[Szirmai] Is the settlement not going to violate rights?

[Zsiros] Ownership of land will not be transferred to those who cultivated someone else's land for 40 years without paying, even if such persons believe that ownership has been transferred.

[Szirmai] Is the settlement of ownership not going to increase food prices?

[Zsiros] At present the cooperatives lease a lot of land for growing grapes, fruits and vegetables for 8,000 to 16,000 forints per hectare. Does this cause price increases at a time when the cooperative pays between 1,700 and 2,000

forints to the retired owner in the form of a leasing fee? There will be no price increase, because the amount of leasing fees will be smaller than the cost of maintaining the unproductive parts.

[Szirmai] If the Smallholders' program is so good, why then is it under attack?

[Zsiros] The farmers from the Agrarian Alliance, 80 percent of whom are large plant farmers, did not get into the parliament. Therefore, understandably, they are attacking us because we are returning property to the individual. There are only a few representatives in the National Assembly with an agricultural background; agriculture does not have roots in society or in politics.

[Szirmai] But it seems as if there is a rift in the party.

[Zsiros] This is a fair statement. Worries, doubts and fatigue begin to show from the political struggle.

[Szirmai] Do you attribute the utterances of [Smallholders Party representative] Mr [Jozsef] Torgyan to such fatigue?

[Zsiros] Yes, in part, but in given instances there is not even enough time to reconcile certain issues. There are instances when the mechanism does not function as it should also because of the faction leader's (Mr Torgyan's) work style.

[Szirmai] Is it really true that the Smallholders aim for dictatorship, for taking power?

[Zsiros] On occasion Joe Torgyan gets carried away and permits himself to say things which he did not check out with the party. He has already been held to account for such things prior to the elections.

[Szirmai] Finally: how good is the foundation for next year's agricultural work?

[Zsiros] For the time being the Ministry of Agriculture is formulating its organization and function. I hope that they will recognize that biology has no patience, and that the land issue will be placed before the parliament. Because far greater damage can be inflicted on this country if the Ministry does not begin its work on time, than can all the political misinterpretations and conflicts. Quite naturally, it takes time before must becomes wine.

**House Cleaning in Education: Standards for Retention**  
25000777A Budapest MAGYAR HIRLAP in Hungarian  
4 Aug 90 p 9

[Interview with Minister of Culture and Education Bertalan Andrasfalvy by Andras Lukacsy; place and date not given: "Politics and Morality"]

[Excerpts] [passage omitted]

[Lukacsy] Accordingly, is there a political or moral standard, a "technical minimum" by which you judge persons working in a given specialized field?

[Andrasfalvy] I always have in mind what one could expect from a person. Is he competent, is he honest? Accordingly, I formulate my judgment in the positive direction. What do I mean by that? If, for example, all the education a person acquired is intermediate Marxist training rather than formal graduation from a gymnasium I will find him unsuited to hold a position as an educator. Namely, I do not regard a Marxist university as [the equivalent of] having obtained higher education. This is so, if for no other reason because experience indicates that in general the persons who completed Marxist university studies were unable to, or were not willing to, complete their studies at a real university. Simply put, I do not trust his competence, and I am afraid his subordinates would not trust him either. It is very difficult to set standards of course. Only some kinds of exclusive criteria exist. For instance, the fact that if a person was an independent party worker, if someone served the regime for years as his primary occupation, the issue of confidence must arise. Nor will persons who turn out to have acted earlier as professional agents for the previous regime receive support. [passage omitted]

We are by no means hunting for heads. Not too long ago in a regional TV broadcast at Pecs I called upon cultural leaders—principals and teachers—to voluntarily step aside if they feel that they will not win confidence, or if they will be deemed unsuited, based on what I mentioned before.

[Lukacsy] It seems that in this statement there is a dose of idealism, because as some examples show, professional public opinion tries to protect the leaders who have been relieved.

[Andrasfalvy] Look, we intend to introduce a competitive system in regard to every important leadership post. There are areas, however, in which we are constrained to fight brush fires and there is nothing illegal about that, because the relief and appointment of the leaders you mentioned is clearly within my authority. And this is also my responsibility, of course. This is the point where the contradiction emerges: The democratic solution, that is, the competitive form, takes time, while on the other hand one cannot paralyze the workings of the ministry. All judgments are subjective. This is why I try to rely on the judgment of several persons. [passage omitted]

**Former MSZMP Official Endorsed as Ambassador**  
25000773C Budapest NEPSZABADSAG in Hungarian  
26 Jul 90 pp 1, 3

[Report by Jozsef Gyorgy Farkas on National Assembly Foreign Affairs Committee confirmation hearings regarding various ambassadorial nominations]

[Excerpts] [passage omitted] ...at the same hearings a few weeks ago [former Foreign Ministry official, Hungarian Socialist Workers Party (MSZMP) Secretary] Janos Toth's nomination to become ambassador to Mexico City was rejected... [passage omitted]



Thereafter the Foreign Affairs Committee discussed the person of Geza Kotai, nominated by the Administration to become ambassador in Lagos. In his introductory summary, the 47-year-old diplomat did not so much discuss his perceptions of Nigeria (and of five other African countries), as he presented detailed biographical data to the committee. After working for six years in the Foreign Ministry, he worked for the MSZMP Central Committee beginning in 1974, first as a desk officer, and then climbing the career ladder. Beginning in 1985 he served for four years as a division director at the MSZMP Central Committee. Kotai stressed that even in this capacity he found opportunities to act in defense of national interests. He mentioned specific examples of the initiation and resolution of issues in which he took part, ranging from the initiation of relations with South Korea, to the reassessment of our relations with Hungarians abroad. He pointed out that in the former state party he regarded himself as part of the Pozsgay-Horn-Szurows line. Committee members asked several questions about his past activities and his professional views. In the end, the committee approved the nomination by a vote of eight in favor, none against, and seven abstentions.

Since undoubtedly this was expected to be the most interesting part of the debate, we asked committee member Hungarian Democratic Forum (MDF) representative Gyorgy Sandorfy why he decided to vote for. This is the way he summarized his opinion for NEPSZABADSAG:

"From my standpoint, what was at issue was the fact that this man, working effectively with his colleagues realized endeavors in the past which launched Hungarian foreign policy on a path that enjoyed the approval of the Hungarian public and of me, personally. I would have found no reason to cause a break in his career or in his life just because previously he accepted and implemented this task. This is why I stressed before the committee that his professional preparedness represents a guarantee to me that this person will be able to head an embassy abroad. At the same time, since in the final analysis Kotai's political career evolved before the public eye beginning in 1985, I also found his conduct justified, and therefore I found the committee's support of his nomination to the post of ambassador to Nigeria justified." [passage omitted]

### MSZP To Sell Its Remaining Newspapers

#### Press Conference

25000774D Budapest NEPSZABADSAG in Hungarian  
27 Jul 90 p 5

[Article by F. Gy. A.]

[Text] The Hungarian Socialist Party (MSZP) will sell all the county newspapers it still owns. The sale of newspapers will be announced in an invitation for open bidding by the publishing enterprises involved (see below).

Among other matters, this was announced by spokesman Viktor Polgar at a press conference after yesterday's board meeting.

Anyone may submit a bid for the purchase of county publishing enterprises and daily newspapers. The Socialists established only one condition: they do not intend to sell the 11 newspapers at issue to political parties or to business organizations of political parties. Further, the ownership share of a foreign buyer must not exceed 49 percent; in case of Hungarian buyers, a bidder may acquire more than 30 percent of the ownership share in three newspapers at most. With this provision the Socialist Party intends to set a barrier to the evolution of additional monopolies. A further requirement in regard to bidders is that they must provide at least a 10 percent share of ownership in some predetermined form to the workers at the newspaper, and that the bidder shall have the agreement of a majority of the collective regarding its preparedness to cooperate.

It was made clear at the press conference that in the event the above conditions are met, the party would sell the newspapers announced for sale to the highest bidder. Referring to expert assessments, Polgar estimated that the newspapers are worth 500,000 million forints, and that the publishing enterprises are worth an additional 200 million forints. The Socialist Party intends to recover the costs of its earlier investments from the price of the latter. Consistent with their earlier statement the proceeds materialized from the sale of newspapers will be added to the budget. The call for bids will be evaluated by a five member committee composed of professionals. All parties seated in Parliament, the National Association of Hungarian Journalists (MUOSZ), the Press Trade Union, the Association of Newspaper Publishers and the Openness Club will be invited to attend the committee's evaluation. These organizations will have consultative authority in the course of the evaluation. In this relation Polgar said that the party reconciled its plan to sell the newspapers with the rest of the parties seated in Parliament. Although only in an informal fashion, several of these parties approved the idea.

#### Invitation To Bid

25000774D Budapest NEPSZABADSAG in Hungarian  
27 Jul 90 p 5

[Excerpts] [passage omitted] The Hungarian Socialist Party (MSZP) offers for sale in a single lot, but priced separately, certain founder and ownership rights (the newspaper) and enterprise assets. [passage omitted]

Bids must be submitted within 30 days from yesterday's date (26 July). The committee will make a decision within 15 days after that deadline. The MSZP and the enterprise involved will consummate a contract with the highest bidder within 45 days thereafter.

The detailed invitation to bid may be purchased from "Szolgálat" Kft., (Budapest V. Balassi Balint Street 27).

The newspapers and publishing enterprises for the sale of which bids are invited are as follows:

PETOFI NEPE	Bacs-Kiskun County Newspapers Publishing Enterprise [MLV]
BEKES MEGYEI NEPUJSAG	Bekes MLV
ESZAK-MAGYARORSZAG	Borsod-Abaúj-Zemplén MLV
DEL-MAGYARORSZAG	Csongrad MLV
FEJER MEGYEI HIRLAP	Fejer MLV
KISALFOLD	Győr-Sopron MLV
HAJDU-BIHARI NAPLO	Hajdu-Bihar MLV
KELET MAGYARORSZAG	Szabolcs-Szatmar-Bereg MLV
VAS NEPE	Vas MLV
NAPLO	Veszprem MLV
ZALAI HIRLAP	Zala MLV

## POLAND

### Spokesman on Attempt To Improve Police Force's Image

90EP0797A Warsaw ZYCIE WARSZAWY in Polish  
13 Jul 90 p 3

[Interview with Colonel Jan Swieczynski, press spokesman for the chief commandant of the police, by Katarzyna Nazarewicz; place and date not given: "Nobody Likes the Police"]

[Text] [Nazarewicz] For several months now, everything has been ours, including the police. The feeling of security that shrinks with every passing day is likewise ours: Crime is up in our country, and the share of the perpetrators found is down. This almost suggests that the democratization of life facilitates a drop in the efficiency of police work.

[Swieczynski] It is not that simple to diagnose the current situation. I do not intend to take issue with statistics which show certain phenomena but do not indicate their causes. To be sure, the crime rate has increased indeed, and the citizens have a right to criticize our work. However, we have a duty to impress on the populace how complicated the situation is.

I understand that our personnel, technical, and financial difficulties are of no concern to anyone. However, criticism of the operation of the police cannot be based on simplifications; the growth of the crime rate is a result of something. This is not a phenomenon which appeared two weeks ago. The current situation has taken years to develop. Besides, the system in Poland has indeed changed, and the police have changed their methods of work.

[Nazarewicz] Among other things, this is exactly why the system has changed.

[Swieczynski] Of course! However, the police force is in need of a complete reform now that the repressive

practices of the state apparatus, including ours, have weakened markedly. Under totalitarianism, which is where we were until recently, the work of the militia was based on reprisals. The efficiency of work of such a police force declines along with the weakening of repressive practices. At one time, a citizen could be detained for 48 hours by virtually any militiaman, and he could not even appeal this. Now, this is no longer possible. Every policeman must warn the detainee that he is entitled to appeal, and, if the detainee so wishes, take him to court which will consider foundations for his detention under the law.

[Nazarewicz] The leadership of the militia was afraid of the introduction of this regulation the most.

[Swieczynski] Discussions dragged on for many years. It was argued that giving the people the right to lodge a complaint would cause an avalanche of grievances which would paralyze the work of the militia; the latter would become involved only in providing an opportunity for reviewing them rather than investigative work. Meanwhile, nothing of the kind has happened. After the new regulations were introduced, it turned out that there have been few complaints.

[Nazarewicz] However, policemen are forced to work more intensively because they have to consider whether an arrest is necessary, and whether the court will be of the same mind they are in order to make the arrest.

[Swieczynski] All this procedure does is structure our work. The police establish facts, as early as the initial phases of the investigation, which are often fundamental for further proceedings.

[Nazarewicz] Drastic examples of repressive militia practices such as the dispersal of demonstrations and the violent resolution of social conflicts have no place in today's police. How do you explain the recent intervention of the police in the building of the Ministry of Agriculture and, as the [Sejm] deputies present there maintain, the violation of their parliamentary privilege by the officers?

[Swieczynski] The immunity of deputies does not guarantee impunity to the deputies. In the Ministry of Agriculture, not a hair of anybody's head was touched, nobody was hit, or beaten up. However, a deputy cannot violate the law. If somebody, even a deputy, lies down on the pavement, and a policeman gently moves him to the sidewalk, how does this violate immunity?

[Nazarewicz] Everybody should be treated gently, not just the deputies.

[Swieczynski] It is exactly in this direction that police reforms are going. Besides, laws on the police have finally released us from the political straitjacket.

Policemen have to be apolitical, and finally independent, but this is not all that easy to implement. The police force is only now developing new methods of activity; it is logical that this cannot change overnight. The reduced

efficiency of operations is also associated with the lack of confidence in the police force on the part of our society. We are held accountable for our own, militia flaws, but also for what the security service has done in Peoples Poland. The average Pole does not know that these were two different formations; as far as he is concerned, this was the same department, and that is it. Therefore, hostility towards former militiamen is increasing in an atmosphere of holding the MSW [Ministry of Internal Affairs] politically accountable. The criminal underworld uses this skillfully.

[Nazarewicz] You should have expected this phenomenon; after all, the conscience of the MO [Citizens Militia] is not clear.

[Swieczynski] Nobody is talking about conscience at present, but rather about the efficiency of our work. Nobody loves any police force in the world; either you accept and assist them, or you do not trust them. It is important for us that the citizens help us, that they do not have an aversion for us, because without their cooperation the efficiency of actions of any police force is weakened. A different attitude backfires to hurt the citizens.

Besides, a certain criminological regularity is at work at present according to which criminals always take advantage of social disruptions, not necessarily as serious as those registered at present in Poland. The criminals sense chaos, social attitudes, and prejudices unerringly.

[Nazarewicz] A lot has been written and said about the lack of personnel, equipment, and funds for the police. At the same time, the attacks of the press on the police have stopped. Have you noticed this?

[Swieczynski] Well, everyone can see what is happening, including the journalists. There will be no quick improvement unless the police are helped to regain the image of the guardian of law, all the more so because yet another cause, the economic crisis, complements all other reasons for an increase in crime. Therefore, it is easy to understand why theft is prevalent in the picture of crime in the country. However, the character of theft has changed.

Apartment burglaries are slowly giving way to a new, previously unpopular form, such as burglarizing shops and offices. Besides, after the legislature agreed to the conduct of economic operations associated with, among other things, dealing in firearms, gas weapons, explosives, and ammunition, we have registered crimes perpetrated with the use of them. In the future, this may become a problem. The illegal smuggling of weapons to Poland has even appeared. Any new phenomenon in the sphere of technology or economics changes the methods of work of the criminal. The policemen always register the new methods after the fact.

[Nazarewicz] However, the picture of Polish crime is relatively stable. The statistics are taking off due to the skyrocketing number of crimes against property. They

are the ones responsible for criminal statistics, as well as the poor efficiency of the operation of the police force. At the same time, you still give little exposure to your considerable counterhomicide efficiency.

[Swieczynski] It is not true that crime is sweeping all of Poland from east to west, and from north to south, though indeed the picture is not gratifying. There is a lot of territorial differentiation. There are regions with little safety, for example, Warsaw Voivodship, and those with more safety, for example, Lomza and Chelm Voivodships. The breakdown of crimes varies; this is the result of the peculiarities of our country and the characteristics of the average criminal. He is still not a topflight professional; he does not use refined techniques; he does not have modern instruments. He violates the law in a primitive, brutal, and ruthless manner. We also have intelligent criminals, but they are not typical in the criminal landscape. The gravest crimes which entail the highest penalty, i.e., murders, have been consuming the same milieu for dozens of years. The motive of misunderstandings in families is common.

We still should not compare the danger to us with that which, for example, an FRG citizen has a right to perceive. At any rate, this is what the data of the Interpol say. Objectively, it is much safer in our country. Two years ago, 480 murders were committed in Poland whereas in Italy there were 2,467, in the FRG, 2,728, and in France, 2,239. In the same year, we found 91 percent of the perpetrators. The Italians found 63 [percent] of them, and the French police [found] 89 [percent]. Also, there was less theft in Poland—513 instances per 100,000 persons, whereas, for comparison, in France 3,784 per 100,000 Frenchmen.

Of course, all of these data cannot reassure us at all. We should measure our misfortune by applying our own yardstick. However, it is worthwhile to keep in mind that the crime rate is up the world over. The greater social differences are, the more pronounced economic disproportions, the more markedly and painfully it is going to be felt. Please, believe me. They steal from policemen, too.

## YUGOSLAVIA

### Shortcomings in Metal-Processing Industry

90BA0253B Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 16 Jul 90 p 17

[Article by A. Damjanovic: "Status—Significantly Worse"—first paragraph is EKONOMSKA POLITIKA introduction]

[Text] Unusual drop in production was already indicated a year ago. Almost one-half of all producers do not have enough orders relative to their production capacities. One-half of enterprises describe their position on the market as unusually bad.



The intent of the federal administration to restrain inflationary jumps in the first half of this year has been achieved, but the consequences that the economy is suffering seriously call into question the positive effect realized. The unusually restrictive economic and monetary credit policy has caused a drastic drop in production in industry, much worse than that resulting at the end of last year when hyperinflationary trends were prevalent. The general characteristics of the Yugoslav economy in the first five months of 1990 are easily recognizable and have practical importance in individual sectors, such as the metal-processing industry. A continually slowing production rhythm has brought about a 10 percent drop in production in industry as a whole, but the metal-processing industry has had to contend with a still greater drop in the physical volume of production—14.7 percent. An analysis of the status of individual branches in the metal-processing industry indicates that the decrease in production varies from 17.6 percent in shipbuilding to 15.6 percent in the light-metal-processing industry, 15.1 percent in machine building, 14.8 percent in production of electrical machinery and apparatus, and 10.7 percent in production of transportation equipment. Only producers of motor vehicles were somewhat closer to the Yugoslav average, primarily because of a surprising increase in production of motorcycles of 42.2 percent, of motors of 9.9 percent, of commercial vehicles of 8.4 percent, and of rail vehicles of 1.1 percent.

More intense foreign trade brought about an increase in exports of products of the metal industry of 21.7 percent and reached the level of 1.982 million dollars, although it will be difficult to expect a continuation of the positive trend in the second half of 1990. Imports also increased by 24.5 percent at the same time, but the slower growth in exports brought about a situation in which fewer imports were covered by exports as compared with the same period last year. Although prices were kept at a stable level, cases where they dropped were also noted. The Yugoslav market indicates increasingly less interest in products of the metal-processing industry. Reduction in demand resulted, in the case of 42 percent of producers surveyed, in a drop below the optimum number of orders in relation to production capacities, while at the same time 34 percent complain of a rising volume of inventories. The drop in production that has been taking place in the metal-processing industry since as far back as July of last year has also caused the chain reaction of an increase in production costs, because of which producers have been forced to search for new funds. High costs on the money market caused by greater demand have brought "grey" bond issues to the forefront.

Under conditions where about 80 percent of the light-metal-processing industry is confronted with the problem of nonliquidity, and when it is known that over 50 percent of the enterprises surveyed described their position as especially bad, questions of transfer of ownership and restructuring of the economy must be given quick and radical solutions, so that new investments

would result in a short time. The frozen investment arrangements are also clearly illustrated by the reduction in the production of equipment by 15 percent, in orders by 20 percent, and in actual work hours in construction by seven percent. At the same time the import of investment equipment has increased by 20 percent; this was not sufficient to prevent an overall drop in investment demand compared to the same period last year. As for competition from imported goods, representatives of the light-metal-processing industry particularly criticize the quality offered and a lack of corresponding inspection and services, while products that have been found on our market at dumping prices are often a factor.

Light metal processors connect their fate with the overall economic policy of the country and the new "package" of the FEC [Federal Executive Council]. Reviving economic activity is of primary interest, along with continuous stimulus toward rapid structural transformation of the economy with regard to the qualitative and quantitative change in production programs as well as with regard to the change in ownership relations with the aim of affirming competitive factors on the market. Under the new conditions a reduction of the drop in production by the end of the year to a seven to nine percent level is foreseen, while exports to the world market would be greater than last year. In this manner a key year for achieving economic reform would be concluded with real but also not drastic losses.

#### **Problems With Convertible Payments in Trade Predicted**

90BA0253A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 16 Jul 90 p 14

[Article by D.Z.: "Clearing Payments—A Difficult Awakening From the Dream"]

[Text] The shock recently experienced by Yugoslav aluminum producers when the agreement on the delivery of aluminum was cancelled by the GDR, an agreement that, moreover, was between the two countries, and all payments under its regulations were also cancelled, is to some extent a drastic announcement of that which awaits Yugoslav exporters tied to clearing payments markets starting next year. Although the case must be viewed in a special political context and although its legal implications are not yet definitive (whether the new German state will also assume all obligations of the GDR), it shows, nevertheless, that Yugoslav firms expect changes in these markets, including the very transition to the convertible payments method with all countries with which Yugoslavia has had clearing payments up until now. This is also indicated by the fact, cited last week by Zarko Trbojevic of the National Bank of Yugoslavia (NBJ) at a meeting of the assembly Council for Economic Relations with Other Countries, that the positive balance in the clearing payments account of the NBJ has increased by another \$295 million this year, that exports to these countries, especially the USSR, are continuing, and that these exports are "covered" by documents



whose payment is uncertain. "No one should expect that the central bank will print money to cover these exports, and if it gives in to these pressures, then we'll go back to where we were," remarked Trbojevic. The last exports to the USSR that have been paid carry the date of 25 April, and the surplus is growing.

It seems that Yugoslav enterprises are slowly and with difficulty getting used to the fact that the old rules of the game no longer apply. For example, a comment recently came from the Republican Chamber of Serbia that the exchange rate for the clearing dollars is unfavorable. With the transition to payments in hard currency that is foreseen for 1 January of next year, many Yugoslav firms exporting to these markets will find themselves in a similar situation to that of aluminum producers. It is difficult to expect that all transactions regulated up to now in the central banks of these countries will be upheld. This is because of the shortage of hard currency in these countries, especially in the USSR, one of the most important trading partners of Yugoslavia up to

now. A drop in exchange because of this is unavoidable, according to many realistic assessments.

A special problem is how the present positive balance in trade with these countries, which amounts to \$1.7 billion with the Soviet Union, will be resolved. According to the agreement recently concluded by the governments' vice presidents, it would be eliminated through deliveries of goods (which, ideally, would be in the nature of securities) over a period of three and one-half years, then through timely payments of bilateral credits valued at \$50 million, and the NBJ would approve credit for the purchase of gas from the USSR against a demand account. However, the remark has already been heard that the first method of covering the balance will be difficult, since even the USSR does not have enough goods, so that other means of eliminating the balance might be sought. The idea of F. Gerbec, a delegate from Slovenia, is that the claims could be sold, and the idea also exists that Yugoslavia would buy up a part of its debts that the banks have bought up at one time on the international market.

## HUNGARY

### Soviet Weapons Sales to Civilians Alleged

#### Police Incapable of Action

25000775A Budapest MAGYAR HIRLAP in Hungarian  
24 Jun 90 p 1

[Article and interview with Budapest 16th District Police Chief Arpad Szabadfi by Tibor Franka; place and date not given: "Illegal Arms Deal"]

[Text] The staff of the Matyasfold Chief Command is the "head" of the Soviet army returning home after its "temporary stay," and will be the unit which departs last: a few weeks short of a year from now. This is one reason why it raises concern that for quite some time now, news about the most distressing arms purchases originated from this area. Allegedly, in the vicinity of Landzsá Street, in the 16th district, a light machine gun which can be mounted on Soviet tanks costs 90,000 [forints], a submachine gun costs between 3,000 and 25,000 [forints], while the bullets for the latter hand weapons cost one forint each. Dr. Arpad Szabadfi, the district police chief, made this clear at the outset of our conversation: "I also believe that commerce in illegal arms exists. Accordingly, those who reside in the vicinity of the barracks are not just talking in the air."

The chief begins by telling about a specific instance. Barely four weeks ago Soviet counterintelligence reported to the 16th district police chief that one of their soldiers was asked by a Hungarian man and a woman who spoke Russian well to sell to them his AK-type machine gun for 50,000 forints. The transaction would have taken place that evening at 1900 in the parking lot at the end of Jokai Street. The police organized surveillance, because based on the Soviet soldier's description they recognized the license plate number of the Hungarians.

"At that point, however, the Soviets informed us that they would not hand over the machine gun to the civilian," Szabadfi said. "We said that we had in mind a practice weapon, i.e., one that does not shoot, because the police does not have such weapons.... In the end we were unable to reach an agreement; the Soviet soldier did not appear at the meeting...."

But the police did. The car arrived after 1900 hours. In the car they found a mason from the countryside, and a prostitute who indeed spoke Russian well. Between the two on the seat there were exactly 50,000 forints.

"A search of the residence was in vain, and we questioned them in vain. We had to let them go in the end," the police chief says. "Recently my men asked for the identification of two Hungarian enlisted men near the barracks. Their backpacks were filled with Soviet submachine gun parts. They said that they purchased these parts from the Soviets and that they wanted to sell them."

(This proves that not only the Hungarians want to buy, but also that the Russians want to sell, because a weapon stolen in parts will not be missed, or at least will not be missed instantly at the armory.)

[Franka] But what good does it do for the authorities, and most importantly for the populace if they catch the arms dealers?

[Szabadfi] Nothing in particular, because even then we are only talking about a violation regarding a shooting weapon. In these instances the transactions should be indeed left to take their own course, but after that we should pay attention as to who takes these weapons where, the place where they store them, and what they want to use them for.

[Franka] Why don't you do that?

[Szabadfi] Lacking a unified law, it would take several days to obtain a permit for the application of these secret methods.

[Franka] Is the police incapable of action?

[Szabadfi] Exactly. We would need to have that missing law, in the framework of which the judge or prosecutor on duty could decide on his own in regard to such cases. Nowadays, by the time we obtain the needed approvals the weapons may have already changed hands.

For the time being, all the police can do is to reinforce its control in the vicinity of the barracks. For this reason, noteworthy transactions do not even occur at that place, but on less travelled dirt roads and in the fields. Even today a military car with a Soviet license plate can travel throughout the country for days without being stopped by a Hungarian policeman.

#### Restriction Applicability Disputed

25000775A Budapest MAGYAR HIRLAP in Hungarian  
25 Jun 90 p 3

[Article and interview with National Defense Office spokesman Tivadar Parvy by Tibor Franka; place and date not given: "A Soviet Soldier Disappeared? In the Footsteps of Weapons Dealers"]

[Excerpt] [passage omitted] For this reason the [police] from the 16th district forwarded copies of their reports to the National Defense Office of the Hungarian Republic.

A few weeks ago a mason offered 50,000 forints to a Soviet soldier for his submachine gun. The illegal deal failed, but had it taken place, the police would have been unable to act effectively, [according to] 16th district police chief Szabadfi. The reason for this is Law No. 10 of 1990 which provides for the licensing of secret service means and methods. Namely, according to the police chief, this law states that the advance permission of the minister of justice is required for the deployment of secret service means.

[Parvy] In a given situation the means and methods you mentioned may be used by the police. Namely, the law provides that the national police chief may permit, under his own authority, the deployment of such means, although it is true that in order to do so he must obtain the concurrence of the justice minister.

[Franka] In other words, is permission required for all means?

[Parvy] Yes. But such permission may be requested, for example, after uncovering an illegal weapons deal. It is of the essence that the national police chief may render a decision under his own authority....

"Permission is not required instantly in regard to everything," a person in authority at the National Police Command confirmed. "The law categorically states for what matters the concurrence of the justice minister is mandatory. One thing is for sure, no such concurrence is needed for the surveillance of an illegal weapons deal. But going further, a permission would be needed, for example, for tapping the suspect's telephone."

In conclusion Parvy said that illegal weapons deals between Soviets and Hungarians fall under their jurisdiction only if the weapons purchased are used for the commission of terrorist acts.

Yesterday we also called the Soviet Army Southern Command. We asked whether they find shortages in the weapons inventory these days, and whether they acknowledge, just as the 16th district police did, that indeed there exists illegal commerce in weapons. Further, we inquired whether it was true that a few weeks ago a Soviet soldier disappeared. It is assumed that by finding an illegal work opportunity the soldier first wants to shed his uniform, then permanently say farewell to his unit.

Unfortunately, the answer we received was this: neither Colonel General Burlakov, nor his deputy, nor any subordinate deputies were present. Perhaps we will try once again today....

### **Soviet Denial**

25000775A Budapest *MAGYAR HIRLAP* in Hungarian  
27 Jun 90 p 11

["Text" of Soviet statement: "The Soviets Do Not Sell Weapons"]

[Text] "Once again Hungarian mass communication means carried reports according to which Soviet military personnel are allegedly involved in arms dealing. They state that this takes place among other places in the 16th district of Budapest, where the corps and the supply units of the Army Southern Command operates.

"The command of Soviet troops temporarily stationed in Hungary officially states that statements concerning arms sales by Soviet military personnel are groundless, and that they do not correspond with the truth. Weapons

and materiel held by Soviet troops are carefully controlled. The control system being enforced rules out the theft of such weapons for the purpose of sale.

"The activities of Soviet soldiers and prosecutorial organs which notified the head of the district police headquarters of the fact that Hungarian citizens wish to acquire weapons for large sums of money, may be perceived only as an example for stringent control and for the great sense of responsibility of Soviet persons in authority. Jointly with Hungarian organs which protect public order, they endeavor to establish barriers in all channels where weapons could be stolen. A different interpretation of these activities attests to the fact that part of the representatives of mass communication means endeavors to project a false picture of the situation, and to create an unhealthy atmosphere around an artificially inflated problem.

"The Soviet command will pay its tribute by recognizing Hungarian citizens and organs who provide well founded data, not rumors, about the sale of weapons. Any other kind of reporting may be regarded as malicious action, which endeavors to create an unfavorable atmosphere around the Soviet troops to be withdrawn from Hungary. This conflicts with the spirit of the Soviet-Hungarian agreement signed on 20 March of this year.

"The Soviet Army Southern Command"

### **Troops Removed From Baj; British Joint Venture To Buy Materiel**

25000775B Budapest *NEPSZABADSAG* in Hungarian  
28 Jul 90 p 5

[MTI [Hungarian Telegraph Agency] report: "No Soviet Soldiers in Baj"]

[Text] On Friday the last Soviet soldier departed from the area of the barracks on the outskirts of the town of Baj in Komarom-Esztergom County. The unit left behind 340 apartments in the area, 60 of which are brand new. The soldiers demolished the ABC department store that came with the block of buildings, because they were unable to reach an agreement on payment settlement.

After the town of Csaszar, Baj is the second settlement in Komarom-Esztergom County from which Soviet soldiers permanently departed for home. The withdrawal of troops is proceeding on schedule also in Komarom and in Esztergom. Contrary to rumors spread in Komarom, the departing soldiers did not demolish the school and the thermal central belonging to the residential buildings. They await settlement in good condition.

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Bakony Metal Limited [Kft], established for the purpose of utilizing the "byproducts" of the change in the system, is buying up Soviet tanks, damaged materiel, abandoned

factories and plants. The Kft, formed with the participation of the Veszprem Coal Mines Enterprise, several Hungarian private persons and a British entrepreneur, established itself in the above-ground plants of Banta mine which they received as capital contribution, and in the buildings used for social purposes of the former mine. The cutting and demolishing equipment needed to perform the activity is provided by the British participant of the enterprise.

The first completed tank transaction is being accomplished in the form of a classic barter: they are delivering wooden houses to the Soviets in exchange for wrecked tank. In this peculiar give-and-take deal a tank is worth a medium-sized wooden house. Presumably, the Soviets will use this form of payment for the temporary housing of withdrawn Soviet troops.

#### **Soviet Troop Withdrawal: Background, Processes, Situation Update**

25000775C Budapest MAGYARORSZAG in Hungarian  
No 31, 3 Aug 90 pp 18-19

[Article by B. Csaba Almasi: "Soviet Troop Withdrawal; And Slowly They Are Leaving; Disadvantageous Agreements, a Distressing Spectacle"]

[Excerpts] The Hungarian and the Soviet Governments reached an agreement last March concerning the departure of Soviet troops temporarily stationed in Hungary. This agreement served as the basis for a detailed troop withdrawal plan which specifies on a daily basis which units must leave our country and when. The withdrawal of personnel—soldiers and their families, and civilian employees—as well as of combat materiel and equipment is proceeding in good order. As the Ministry of Defense made public not too long ago, thus far more than 15,000 soldiers, 4,000 civilian employees, and 10,000 family members left Hungary, and 20 percent of the technical equipment has been withdrawn. Twenty-seven percent of the total number of railroad cars has crossed the border.

But as smoothly as the withdrawal is progressing, the more concerns and differences of opinion exist in regard to financial settlement. The two sides are unable to agree, or are able to agree only with great difficulty, on the value of facilities built by Hungarians and Soviets, and in regard to damages owed by the Soviets mainly in terms of the environment. The Soviet side established a 50 billion forints claim. This amount, however, is deemed too high by the Hungarian side. The situation has deteriorated to the point that Colonel General Burlakov, commander of the Soviet troops stationed in Hungary told a Soviet newspaper the other day that these disputes may set back the troop withdrawal.

#### **Violations**

Lieutenant General Antal Annus is the administrative state secretary at the Ministry of Defense and one of the Hungarians involved in directing troop withdrawal. We

asked him about the legal basis for the stationing of Soviet soldiers in Hungary, the agreements which fixed the conditions of their stay in this country, and legal provisions concerning financial settlement, and about the possible consequences in the event the two sides are unable to reach an agreement.

It is a known fact that Soviet military units have been staying in Hungary since 1944, as a result of the wartime combat activities, Annus said. After the conclusion of World War II they were stationed here essentially based on the "right" of the victorious power, in the absence of international agreements and treaties. Thereafter the 1947 Paris Peace Treaty accurately provided for their presence here. According to that treaty all allied forces were to be (should have been) removed from Hungary, but a Soviet contingent of a certain size was permitted to stay. These troops secured the transit path to Soviet forces stationed in Austria, also on the basis of the agreement. But the Soviet Union violated these provisions of the Paris Peace Treaty, because they left substantially more than the necessary number of soldiers and combat materiel in Hungary. Then in 1948 a bilateral Hungarian-Soviet intergovernmental agreement was reached to sanction the existing condition. With the Austrian State Treaty (1955) all legal grounds for the stay of Soviet troops in Hungary ceased, and yet they did not withdraw from Hungary. On the contrary, in November 1956, a contingent the size of a wartime front, to use a military term, flooded our homeland. This situation was then used as a basis by the governments of the two countries. They signed contracts which highly disadvantaged us: the first such contract was signed on 27 May 1957. This is the so-called basic agreement which governs in general the stationing of Soviet military forces in Hungary. An important provision of the agreement states that Hungarian legal provisions in force apply to both sides, and that the Soviets are obligated to reimburse the Hungarian state for damages caused by them. (According to the lieutenant general, it appears that in the course of the present troop withdrawals the Soviets "forgot" about these two provisions.) Two other contracts also signed in 1957 were based on this basic agreement. One governs the conditions for the use of Hungarian facilities and services by Soviet troops, the other provided for mutual legal assistance.

Based on the agreement which deals with financial matters, and which is still in force today, the Hungarian state would yield real estate property and appliances and equipment located on such property to the Soviet party for a rental fee. In exchange, the Soviets were obligated to provide for the restoration, maintenance and renewal of these buildings and other facilities. (This matter is the source of the greatest dispute in the financial negotiations related to troop withdrawal, according to the state secretary. Both the Hungarian and the Soviet parties have an entirely different perception of how a restored or maintained building should look like.) The situation is, of course, entirely different in regard to the construction of real estate property paid for from Soviet funds. The



Hungarian side would pay for facilities built under permits, consistent with Hungarian requirements and standards if the Hungarian side needed those facilities. However, according to a very important stipulation the Hungarian side would not be obligated to pay an amount corresponding to the current commercial value of such property, but would pay the amount expended by the Soviets for constructing or purchasing such facilities, minus amortization. Yet another starting point must be applied in regard to structures not needed by the Hungarian state, but which absorbed a lot of Soviet money (such as the bunkers, and the airplane entrenchments at the Debrecen airfield). The Hungarian side has a right to decide whether it wants to purchase these facilities or offer them to the Soviets: Let them take away or sell these facilities, let them do whatever they feel is best.

#### "Black Investments"

In the course of the transfer they found many pieces of real estate constructed without permits, or not in accordance with Hungarian standards. (In general, the Hungarians were unaware of these "black investments," but even if they were, there was not much they could do about them, because not even the highest ranking Hungarian military leaders were allowed to set foot in these facilities. These constituted a "state within the state," Annus said.) At the expense of the Soviets, the Hungarian construction authority has experts to examine whether these pieces of real estate property can be utilized, or if they should be demolished. Irrespective of who performs the work, demolition costs would be debited to the Soviet account. If some of these facilities can be utilized, and if the Hungarian side is in need of them, the Hungarians will pay the equivalent amount of their value.

Using the applicable provisions of the before-mentioned agreements as the basis, the lieutenant general regards the Soviet claim for 50 billion forints as totally unrealistic. On the other hand he was not willing to venture a prediction concerning the magnitude of the actual amount. Accordingly, at this time it can already be seen how very difficult it will be to reach an agreement. Both sides will have to yield, and only in this way will it be possible to agree on a compromise. And thus it is fair to ask: What happens if they are unable to reach an agreement between the government deputies. At this time, as if [in a court of] "second instance" they would turn to the Soviet-Hungarian joint committee to render a decision. In earlier days this committee was to proceed in regard to every instance in which the Soviet army caused damage to the Hungarian side. But if no agreement is reached by the committee, high level leaders of the two governments would sit down at the negotiating table. As a last resort, an [international] arbitration board or some other international court would have to render a decision. The state secretary hopes that events will not come to a point where this step must be taken. One matter must be made clear however, Annus concludes in his statement. Financial disputes must not affect the schedule of troop withdrawal. At most Colonel

General Burlakov may express his private opinion in regard to this issue, but this is by far not the guideline, because the Soviet side must, under any circumstances, abide by the Soviet-Hungarian Government agreement reached in March.

We learned from Csaba Halasz, the deputy in charge of the Hungarian Honved Forces construction and placement command, the highest level coordinator of this work, just how the vacated facilities will be actually returned under Hungarian management.

#### All Data

The 299 military objects used by the Soviets can be found in 80 Hungarian settlements. These include, for example, officers' residential developments, hospitals, barracks and training bases. Their transfer will take place in three stages. First, representatives of the Hungarian and Soviet armies and the representatives of autonomous local governments and of the parties will "walk through" the facility. At this point local governments examine whether they will be able to—if they want to, at all—utilize a given facility. Based on that examination they will decide whether to request it. Useability is determined on the basis of several criteria. The first criterion is technical: Does the structure comply with Hungarian standards? Then comes the functionality criterion: Is it possible to utilize the facility for useful purposes? This is followed by the economic criterion: Is it rational to purchase the facility? This is followed by the biggest job: the appraisal of the technical condition. Every structure is measured and the characteristic data of each are recorded. Thereafter the technical conditions found are compared to Hungarian military structures of the same age, to determine whether the Soviet side appropriately maintained and renewed the building. If they find that the Soviets did not, the cost of restoration will burden the Soviet side, [at least] in the view of the Hungarian side. Work is concluded by legal action: the transfer is recorded.

Thereafter the former Soviet military facility will be managed by the Institute for the Management and Utilization of Sequestered State Property, established by the Ministry of Finance. This institution organizes the protection and guarding of facilities. The ultimate fate of the facilities—who will make use of the facilities—will be determined later by an interministerial committee.

In order to obtain a picture of troop removals other than just from discussions by Hungarian military leaders, we paid a visit at the Debrecen airfield. In many places throughout the country the departure of Soviet soldiers was received with joy, but nowhere was joy as great as among residents in the vicinity of the airfield. The almost unbearable noise often embittered life there. [passage omitted]

The civilian guard set up its offices in one of the Soviet apartments. Incidentally, there are 765 apartments within the barracks, at least according to the Soviets. The

Hungarian side claims that 120 of these are not really apartments, because they consist of only one room. [passage omitted]

#### **Reporter First To See Secret Soviet SZU-24 Fighter Plane**

25000775D Budapest REFORM in Hungarian 3 Aug 90 p 32

[Article by Konrad Mattheidesz: "I Was Invited by the General To See the Secret Plane"]

[Excerpts] The Szuhoj, i.e., the SZU-24, took off at Kunmadaras. [passage omitted]

"Tovaris Konrad shall write the truth, he will see Kunmadaras, and the technology there. No journalist has seen it before." [passage omitted]

I am the first Hungarian to be able to see the new Szuhoj, but it is possible that on a worldwide scale I am among the first. [passage omitted]

I am more or less familiar with the MiG-27. The next series of planes is the group of SZU-15's; I know these from pictures. The lieutenant colonel invites me: Take a seat in the plane [the SZU-15], take a look at its weapon. I am gazing at its no. 27 TV screen and its six barrel automatic gun.

Just as for children dessert comes last, so they left the SZU-24, that certain delicacy, for me to see last. The nose of the huge gray plane and its outward edges are painted white, its pilot cabin is respectable, it provides excellent working conditions for the pilots seated next to each other. My guide tells me: "None other than Soviet hands have touched this thus far." I am amazed and stunned. "Please, take a seat!" A mechanic sits on the other side of the plane, he shows the weapons, the photographic apparatus, the way the wings are changed. But as I reached toward one of the arms he presses my hand down with lightning speed. "It catapults also from a stationary position." [passage omitted]

The brain center of the airfield is located in a building painted in three colors. On the upper level we find the row of picture screens and computers. They direct several planes simultaneously. Dots appear at various places on the screen: To skilled persons they show the heights and the distance. [passage omitted]

### **POLAND**

#### **Lack of Committed NCO Cadre, Candidates for Military Academies**

90EP0788A Warsaw ZOLNIERZ  
RZECZYPOSPOLITEJ in Polish 11 Jul 90 pp 4-5

[Interview with Colonel Marian Stuglik, deputy chief of the Department of Personnel, Ministry of National

Defense, by Lieutenant Colonel Andrzej Medykowski; place and date not given: "Under the Hat...But Why Exactly This Way?"]

[Text] [Medykowski] At a recent press conference, we learned from the press spokesmen of the government about changes under way in our Armed Forces. Out of necessity, this was very concise information....

[Stuglik] Structural changes initiated two years ago as a result of the development of a defense doctrine have been given a new impetus. The strength of the Polish Armed Forces is being adjusted to the level of necessary defensive sufficiency. We assumed that in the process we would achieve an improvement in staffing the Armed Forces, especially the full-strength tactical formations, with younger career servicemen with higher qualifications and good performance shown in service to date.

[Medykowski] How have these assumptions been complied with in the service to date?

[Stuglik] Between 1989 and 2000, positions provided for career military personnel in the armed forces will be reduced by about 20 percent; meanwhile, the degree of professionalization in the army will increase from about 33 percent to about 46 percent. At the same time, many units will be disbanded, reorganized, and reformed; some will also change their locations.

We are now past the first stage of structural transformations which has mainly included military units and tactical formations. Unfortunately, for various reasons some people do not wish to transfer to new military units which are frequently far removed from the current place of residence. In the area situated nearby, placing officers, especially older ones, in jobs may turn out to be impossible.

[Medykowski] The Armed Forces do not consist of the units only.

[Stuglik] We also embarked on streamlining organizational structures and putting the tasks and jurisdiction of the IC MON [Headquarters Offices, Ministry of National Defense] in order, as well as those of the staffs of military districts and services. The first stage will end in 1992 by reducing the personnel strength of these offices by about 20 percent, and the other in 1995 by yet another 30-percent reduction. The personnel strength of the IC MON and the staffs of military districts and armed services will be reduced by a total of about 40 to 50 percent in the years 1990 through 1995.

[Medykowski] Therefore, we may suggest the conclusion that difficulties with staffing positions are disappearing....

[Stuglik] Unfortunately, despite a considerable reduction of the number of positions due to restructuring, the staffing of the Armed Forces with professional cadres has not only failed to improve, but has deteriorated from 85 percent on 1 January of last year to 82 percent on 1 January of this year.

The highest degree of staffing occurs in the officer corps—about 94 percent. In the corps of warrant officers, there are 15 percent vacancies, and as many as 40 percent of career noncommissioned officers are lacking. These statistics apply to the entire Armed Forces; however, in some personnel corps and military specialties the shortages are more severe. For example, in the corps of career noncommissioned officers, the filling of positions is on occasion only 35 to 40 percent.

[Medykowski] Paradoxical, is it not? However, what are the reasons for this state of affairs?

[Stuglik] We see the unfavorable living conditions of the career cadres due to the critical economic situation of our country as the immediate reason. After all, dissatisfaction with pay, social services, and housing conditions is common knowledge. A decline of interest in career military service has become markedly apparent; it is manifested in the increased discharge of young cadres (under 35) from the Armed Forces at their own request and a deteriorating shortage of candidates for military schools and career noncommissioned officer service.

[Medykowski] What statistics show these phenomena?

[Stuglik] In total, more than 12,000 career servicemen were discharged from the Armed Forces last year (almost 5,000 officers, close to 4,000 warrant officers, and over 3,000 career noncommissioned officers), out of whom more than 5,500, or 54 percent, were discharged at their own request. Among those discharged, almost one in two was no older than 35....

[Medykowski] Why did they leave?

[Stuglik] The following are motives indicated most frequently in discharge requests: reduced stability of the profession; financial conditions which are incomparably worse than the input of labor [would warrant]; the dropping prestige of the Armed Forces among the populace; the burden of the rigors of military service; and an opportunity to make better money outside the Armed Forces.

[Medykowski] Their successors are also not eager to join the service, and they have their own reasons too.

[Stuglik] Similar reasons account for the small interest of young people in embarking on studies at professional military schools. Data for the first 10 days in June indicate that almost two candidates per slot are seeking admission to the military academies, the WAT [Military Technical Academy], WAM [Military Medical Academy], and the AMW [expansion unknown], and 1.2 candidates per slot in higher officer schools. However, we should add that there is considerable differentiation in the case of the latter—from four candidates per slot in the Higher Officers School of the Quartermaster Services to 0.4 candidates per slot in the Higher Officers Schools of Rocket and Artillery Forces. However, attaining these levels was only possible due to the graduates of military secondary schools who account for about 20 percent of

candidates this year. To be sure, exams to enter professional military schools have already started, but we are still waiting for candidates because on 23 through 30 August additional exams will be held in the schools in which vacant slots will still be available.

[Medykowski] There is a shortage of cadres, there are vacancies, but people from the units undergoing restructuring frequently have nothing to do.

[Stuglik] The main reasons for difficulties with providing new places of service for the cadres are as follows: inflexibility; reluctance to change the garrison or place of residence to date; the painful shortage of official apartments; and the inability to find a niche in the service which is in line with the character of the position lost and the skills available.

Guidelines were issued in March of this year which modify the policy of discharges from career military service in effect to date with a view to overcoming these unfavorable phenomena and creating new positions for young, educated officers. The provisions contained in the guidelines allow officers older than 60 to remain in the service only in special cases (physicians, lawyers, academic instructors with Ph.D. degrees and titles of professor, and so on) and provide for discharging from the army officers with the ranks of colonel and lieutenant colonel who are older than 55, unless they hold leadership positions, before the end of this year. Discharges of the cadres which have exceeded the age limit are also being accelerated.

These actions do not transcend legal regulations in effect to date; yet, they have a disciplining character which is dictated by the current cadre situation. It is estimated that about 2,500 extra officers will be discharged from career military service before the end of this year as a result of this process. This will open up prospects for young and gifted officers to stay in the service.

[Medykowski] In the past, the press has turned to the topic of generals, the suggestion being that there are too many of them. What is the truth, and what plans exist in this regard?

[Stuglik] A greater number of discharges will also occur in the corps of generals. At present, 148 of them remain in career military service. By the end of the year about 40 will be discharged, and 12 of them will be discharged next year. As a result, the personnel strength of this corps will come to about 100 generals, or as many as served in the army of the Second Republic.

[Medykowski] So far, we have been talking about military personnel only. Meanwhile, our institution employs a substantial number of employees of the Armed Forces.

[Stuglik] They are also affected by restructuring and accelerated discharges. Overall, on the scale of the Armed Forces, the personnel strength of employees of the Armed Forces will decrease by five percent due to structural and organizational transformations. The



largest layoffs will occur in cases of employees working in the IC MON. It is expected that before the end of this year about 29 percent of the employees of these offices will be laid off as a result of restructuring.

[Medykowski] Thank you for the interview.

### **Inadequate Housing for Military Personnel, Families Viewed**

90EP0795A Warsaw ZOLNIERZ  
RZECZYPOSPOLITEJ in Polish 24 Jul 90 pp 1, 3

[Interview with Commodore Andrzej Szymanski, deputy chief for construction affairs, Housing and Construction Service of the chief quartermaster of the Polish Army, by Stanislaw Lukaszewski; place and date not given: "There Is a Lack of Apartments; What Next?"]

[Text] [Lukaszewski] Commodore, what is the housing situation in the Armed Forces?

[Szymanski] We lack 11,800 apartments. This condition is the result of the overall economic situation in our country. We estimate annual needs to be 5,000 apartments. We secure 94 percent of this. However, in 1989 we met only 50 percent of our needs. As early as this year we intend to reach 70 percent of our needs by commissioning 3,500 apartments. This depends on funding. This is a factor which restricts the building of apartments not only in the Armed Forces.

[Lukaszewski] Everything is wrecked by money; in other words, the lack of it renders the implementation of the plan impossible. However, let us ignore this condition. What is being done in order to still build somewhat more apartments given these funds?

[Szymanski] We have elaborated the concept of a target-oriented housing policy in the armed forces. This policy includes all the methods of procuring apartments which are currently possible and are expected to exist in the near and long term. This policy involves construction with budgetary funds, including purchasing [existing dwellings]; single family housing construction; renting apartments and reclaiming them (restoring the residential function of facilities and premises used for other purposes to date); and updating facilities, for example, barracks, with a change in their function to that of residential buildings.

[Lukaszewski] Could you dwell on the avenues of the activities of the service for us.

[Szymanski] Construction financed with budgetary funds has thus far been the main method for procuring apartments. We are looking for new opportunities to alleviate the apartment shortage. We are seeking [various] forms of purchasing apartments or buildings at various stages in the process of construction.

[Lukaszewski] Have there been any results so far?

[Szymanski] Yes. This year, we have secured more than 200 dwellings in this manner in the Poznan, Gdynia, and several other, smaller garrisons. At the same time, we try to make the program of housing construction more realistic every year by adjusting its geography to the structural and organizational changes under way in the army. We want to concentrate new construction in large urban centers and larger garrisons, while at the same time allocating some of the apartments for military retirees from garrisons far removed from larger cities.

[Lukaszewski] What will happen to apartments in small localities vacated by these same retirees and annuitants? What will happen to apartments in the garrisons in which military units are being restructured?

[Szymanski] We will certainly not allow vacancies to occur. These apartments will meet the needs of other users. Since we are on the topic...it would be nice if the Armed Forces could receive funds for the apartments surrendered in such a situation. However, applicable regulations have to change for this to happen.

[Lukaszewski] What else does the service intend to do in housing construction involving investment, obviously, within the framework of limited funds?

[Szymanski] We are organizing close cooperation between military investors and unit commanders, and the proper organs of new local administration. The objective in this matter is to secure sites convenient for the Armed Forces which will not require considerable investment in technical and social infrastructure.

[Lukaszewski] What about the construction of single family homes by the Armed Forces? Will it continue to be mysterious and almost...shameful?

[Szymanski] Until now, it has been altogether incredible that someone can build a house for himself, and of course, his family, while being in professional military service. Yet, some people have accomplished this. I would not like to discuss the cost of this in terms of personal sacrifices. These people have secured loans, invested their own effort, and...built it. Some of them have even succeeded. We would like to accommodate those career military men who will bring themselves to make a courageous decision to build a house. We are already evaluating guidelines for the assistance of the Armed Forces in effect to date and are making new proposals in this sphere. An authentic (rather than illusory) system of support will be created in this sphere. This system will motivate the cadres to build homes.

[Lukaszewski] Commodore, let us discuss specifics.

[Szymanski] The housing and construction service is proposing to purchase lots for single family homes and develop them with the budgetary funds of the Armed Forces.

[Lukaszewski] Commodore, proposals have always been our strong suit.



[Szymanski] This is a specific proposal; we hope that it will be accepted. This method of procuring apartments will become significant and more common after a new system is created for authentic assistance to construction performed on the basis of the personal funds of the cadres.

[Lukaszewski] There is a shortage of apartments, even in multifamily buildings; meanwhile, you are proposing to build a house....

[Szymanski] I am referring to one form of apartment procurement. I would like to stress with the full weight of responsibility that the construction of such an inexpensive house (not necessarily with a large floor space) is possible and realistic if the guidelines for the assistance of the army are expanded and made more realistic. I would argue that such propositions should not be rejected as unrealizable.

[Lukaszewski] What else does the housing and construction service propose?

[Szymanski] Along with the introduction of market principles in the economy and the implementation of state policy in the field of privatization, including in the housing sphere, conditions are created for building large residential buildings to be sold or rented (by using various sources of capital). At present, a market of rental apartments already operates, though on a small scale. We also see opportunities to secure apartments for professional military men in this sphere.

[Lukaszewski] Commodore, you know how much renting an apartment costs at present, and we both know how much a career servicemen makes.

[Szymanski] Our proposals call for compensating the cost of renting apartments. However, this is merely a budding concept, because rents are indeed high at present. However, I would like to observe that along with the introduction of market principles and new rents the communal (rental housing) market will pick up. I would also like to note that before the war officers could afford to rent luxury apartments without impairing the standard of living for themselves and their families. Since we

want to think in terms of the long run, we should not reject this guarantee...of having a roof over your head.

[Lukaszewski] The pressure of housing needs is great. Alleviating it perceptibly may require radical actions. What final concept has your service adopted for rescuing us from this housing poverty?

[Szymanski] We are evaluating actual opportunities for renting, especially in large garrisons which have the least chance to meet housing needs; we consider these to be problem garrisons. We have analyzed the average costs of renting apartments in garrisons in terms of their structure (for example, apartments for three, four, or five people), and in addition we have "studied" the housing market from the point of view of renting.

[Lukaszewski] What else?

[Szymanski] There is also the issue of reclaiming apartments on the premises of buildings used to date for other, nonresidential purposes. There is the issue of remodeling the buildings of barracks vacated by the restructured military units.... We are now embarking on the development of a program which, in particular, specifies locations (sites), the time frame of implementing plans, and the magnitude of the results of the efforts made.

[Lukaszewski] Commodore, no matter what we may say, the feeling will remain that housing conditions for the career servicemen are bad. This makes morale worse....

[Szymanski] This situation is the result of the lack of opportunity to carry out the program of construction based on investment in recent years, which has been virtually the only mode to date. Hence the new initiatives proposed by the service. Our service is aware of morale which is far from good and which is influenced by the growing apartment hunger. However, I would ask for understanding that the armed forces are not rich, and are experiencing difficulties which the entire country does anyway, including housing difficulties. Nonetheless, we approach the task of ensuring apartments with the utmost concern and seriousness, as one of special significance. This is a priority task for our service.

[Lukaszewski] Thank you for the interview.

## CZECHOSLOVAKIA

### Private Enterprise Taxation Considered Destructive

90CH0204A Prague HOSPODARSKE NOVINY  
(supplement) in Czech 23 May 90 p 1

[Interview with Ladislav Vostarka, Doctor of Law, by Josef Valiska; place and date not given: "For or Against Enterprise?"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The new tax regulation amendment is necessarily a part of the system of legal norms that are remolding our economic system. However, the draft was not passed by parliament. I turned to the representative of the Association of Czechoslovak Entrepreneurs, Ladislav Vostarka, Dr. of Law, with the question of how the proposed tax regulation is evaluated by people who deal with the development of private enterprise, which is primarily affected by the tax problems.

[Vostarka] The tax system as a whole, not only the submitted proposed draft of the tax amendment concerning citizens' enterprise, has many problems. It has so many deficiencies that we are beginning to doubt that Minister Klaus truly desires to promote the development of private enterprise. An especially controversial provision is the so-called regulatory wage tax which this proposed tax law would empower the government to levy, and which practically prevents an entrepreneur from paying his employees wages in accordance with their performance.

[Valiska] Could you be more specific in your rather harsh statement?

[Vostarka] I will give you an example: the entrepreneur must pay an income tax, which amounts to 55 percent in the rate category for incomes above Kcs200,000. If he intends to trade abroad, even if only partially, he will have to pay 50 percent wage tax and, from what remains, he will also have to pay citizens income tax. In addition, if he employs executive staff to whom he must pay a decent salary, the above-mentioned very harsh regulatory wage tax may be added. To what should an entrepreneur pass this so he will still make a profit? Primarily, of course, he will pass it on to the price of his products or services, he does not stand a chance otherwise. However, if the entrepreneur is forced to do this in order to gain a profit, an inflationary spiral will commence as a direct result of the new regulations. That is why I dared to say that we are beginning to doubt that the government truly means any of its statements on wanting to help private enterprise. We are afraid that the present government is using private enterprise, privatization, and a market economy as props, just as the previous government used the working class, the farmers, and the people.

[Valiska] I think you are being a little unfair toward a government working under extreme time pressure. You criticize the regulatory wage provisions but, on the other

hand, wouldn't there be a danger anyway that entrepreneurs would pass the costs of employees' high salaries to the prices?

[Vostarka] I don't believe that the enterprises will pamper their employees with exceptionally high wages. However, if an employee makes a 100,000 Kcs profit during one month, the entrepreneur must give him an appropriate part of it, roughly 10-15 percent. Otherwise he will run the risk that the employee will no longer perform as well, or that he will become independent and be a competitor to his former employer. The employer must have the right to hire or fire his employees, but he must also have the right to pay them according to the merit of their work. If the wages are based on values, meaning products and work, they can be raised. But the present system really forces the entrepreneur generally to hire a larger number of average employees for limited wages, instead of a few first-class ones, who would admittedly create a greater value, but whom it would be difficult to pay adequately under the existing circumstances.

[Valiska] In other words, you don't believe that the conditions created by the new economic legislation provide enough incentives for enterprise . . .

[Vostarka] Certainly not in comparison to foreign countries. At this time, it seems that the creators of the laws see things rather one-sidedly, from the perspective of large enterprises, irrespective of whether it is CKD [Ceskomoravska-Kolben-Danek National Enterprise], Skoda, or IBM.... However, they ignore the entire middle level on which, for instance, the entire famous Erhart economic miracle of the FRG was based, and which he himself described as only being possible because neither the government nor the parliament were functioning. The economy does not depend exclusively on large companies, which, in fact, employ only a small percentage of the total number of working people in economically developed countries. In Canada, for example, three-fourths of the gross national product come from companies with a net, after-tax profit of less than \$250,000, in other words, from small enterprises.

Of course, the state must acquire means for its budget by taxing companies. But if one attempts to get as much as possible from private enterprise at any cost, one must not expect the private sector to create the expected 150,000 jobs, or to expect that, because there is no competition, there will be no bankruptcies, resulting in the survival of only 100 thousand of the 150,000 entrepreneurs.... On the contrary, these people will go bankrupt and will join the unemployed workers on the street instead of helping to create new jobs. This will cause high unemployment, which certainly none of us want.

### Capital Costs To Increase

90CH0204B Prague HOSPODARSKE NOVINY  
in Czech 30 May 90 p 1

[Article by Jan Ferenc: "Increase in the Price of Money"]

[Text] It is obvious that our outdated production base will have to be renewed. The main resource for enterprises' development are credits. In the past, it may have seemed that credit resources were inexhaustible. However, imprudent lending of money is a strong inflationary factor, and therefore one must be exceptionally careful in granting credits in the future.

One must bear in mind that additional credit banks will be established and that the number of customers will increase and become more diversified, since private enterprises, new cooperatives, and privatized enterprises will be appearing on the scene. Therefore the total sum of credits must be reallocated, and this will lead banks to consider carefully if there are any doubts about returns when they are granting credit. The banks will raise the interest rate in proportion to such risks.

From 1 January of this year, the State Bank of Czechoslovakia raised its discount rate by one percent to the present rate of five percent. Banks cannot grant credits to their debtors more cheaply, they would go bankrupt.

These measures, which should decrease the demand for capital, correspond to the decrease in supply. The government approved a credit growth in the range of minus two percent to plus one percent for this year. During the first quarter, the volume of credits decreased in real terms by 1.5 percent compared to the same period last year.

The "increased cost" of capital naturally affects the creditors as well as the debtors. An increase in interest rates for all investments is expected, as well as additional premiums for longer term investments.

The bank will also participate in the development of savings outside the banking system, i.e., in the development of securities, and it will especially support the sale of bonds to private individuals. The nominal value of bonds sold is money that disappears for a number of years from our domestic market. Therefore this will limit the purchasable demand on the market, as well as provide additional resources for economic development.

#### **Introduction of Holding Companies Viewed**

90CH0204C Prague HOSPODARSKE NOVINY  
in Czech 30 May 90 p 4

[Article by Eng. Jaroslav Votruba, Prague: "Will Holding Companies Also Exist in Czechoslovakia?"]

[Text] The concept of a state holding agency under public law and the concept of joint-stock holding companies under private law, which are transfer facilities for holding a majority investment by the state in industry—almost exclusively in strategic sectors—were explained in the article "The Management of State Enterprises in Italy" (HN No. 20/1990), as well as the system of state capital investment.

In the Czechoslovak concept of the transition from a centrally planned economy to plurality (in respect to ownership) and market relations, it is not possible to confer on the state only the task of a majority owner. One should also expect a system of state minority investment in a large sector of industry that was previously owned by the state. This would, in practice, create another sector of mixed economy, i.e., industry with a majority investment by private citizens, employees, and foreign participants and minority investment by the state should exist parallel to the sector with majority state investment (in strategic areas), and the exclusively private and cooperative sector. The former should primarily be the sector of industry which would be the driving force behind Czechoslovak exports and progressive incentives for the whole economy because of its dynamism, stimulated by private investment.

Apart from these three sectors with a partial or total private ownership function, there should be a sector exclusively of public law state ownership, limited to several specific areas that are predominantly of public interest. In West European countries it is administered by the state as an autonomous, public law organization, with its own financing and its own accounting (railroads, electric power, telecommunications, etc.). On the whole, due to their autonomous position, these organizations behave very much like enterprises and achieve a considerable amount of success. At this time, France is transferring the administration of telecommunications to an independent public law company, in order to increase its autonomy; this is something that has already been organized successfully in the Czech Republic in the form of the Post Office and Telecommunications Administration.

The proposed system (based on the model of Italian state investment) can resolve the function of the state as an owner, a function that the state either does not perform at all at this time, or only "simulates" it, and totally inadequately at that. Entrusting some office, for example the National Asset Fund, with this function would mean renewing the administrative methods of state management of the economy. State administration must be totally separate from the enterprises with state majority or minority investment, in the form of independent coordinating organizations with the nature of enterprises, i.e., with their own budget and accounting. This is executed through public law holding agencies in the Italian system. These agencies and the financial joint-stock companies they influence (subholding companies), and operational joint-stock companies, enable the state to function as an owner while the independence of the enterprise with state investment is retained in its business activities.

A significant problem in creating joint-stock companies from state enterprises is drawing up their initial balance sheet. An important task is not only evaluating the left side of the balance sheet, i.e., assets, based on world prices, but also dealing with the right side of the balance sheet, i.e., liabilities. The main task is how to solve, or

express, state ownership as a net worth entry and as a long-term debt entry. In business practice there are recommended norms for the relation of net worth to the total basic assets and the relation of net worth to long-term debts (borrowed capital).

A state represented by autonomous financial enterprise businesses (public law holding agencies and private law subholding joint-stock companies) will (through their mediation) be the holder of all shares during the transition period. Later, within a relatively short period of time, the shares should be sold to employees, private individuals, and foreign investors, or other Czechoslovak enterprises.

Long-term credits, which cover the remaining portion of the basic capital (assets) over and above the net worth, should also be transferred to private law subholding companies, which would thus acquire additional means to help undercapitalized operational joint-stock companies through advantageous forms of risk or credit financing.

The creation of holding companies that would administer the capital investment of the state in operational joint-stock companies is also absolutely necessary in connection with personal staffing of the joint-stock companies' managing agencies. If the joint-stock shares of the state were to be administered by ministries or some other special state administration office, departmental managers or other state officials would have to be delegated to the administrative or supervisory councils of these companies. This would be unacceptable for the running of the company and for cooperation with other domestic or foreign capital investors.

#### **Partial Market Effects Causing Some Production Distortions**

90CH0204D Prague HOSPODARSKE NOVINY  
in Czech 30 May 90 p 2

[Article by Alena Drabova: "Why Some Goods Are Disappearing From the Market; Producers Call the Shots"]

[Text] Consumers are waiting impatiently for shops to start offering a varied selection of high quality goods but the situation at this time is still a long way from this hope. As we discovered at the Ministry of Trade and Tourism of the Czech Republic, compared to last year the distribution of goods on the domestic market has, in fact, got worse. Why?

People are buying because they fear inflation and price increases; an important role is also played by the easing of restrictions on tourism, combined with speculative purchases especially before strict customs measures are introduced for exports from the CSFR. The index of retail turnover growth in the Czech countries for the first quarter 1990 was 106.7 vs. 103.6 for all of last year. On the other hand, the productivity of work in industry is declining and, since the directive system of managing

supplier-consumer relations stopped functioning and the new system is not yet fully operational, the problems are becoming acute in a number of cases. The producers no longer have the obligation to conclude contracts with shops, and thus they often give priority to supplying their own narrow network (like Calex, for example) or they concentrate on export.

Some suppliers abuse the situation and more or less blackmail the shops, by setting conditions that will bring them economic benefits before they agree to conclude a contract. They demand that they will be granted a part or even the entire wholesale business (even for activities that they have included in the calculation of their wholesale prices), foreign exchange participation in production, sometimes even a guarantee that they will not be penalized if they do not keep to the delivery deadline or do not maintain the quality standards.

Obligations apply only to producers of knitted underwear, knitted clothing, clothes made of woven fabrics (shirts), outerwear, and footwear, as well as for suppliers of cement, lining materials, timber, solid fuels, rolled materials, and personal automobiles. For other items, it all depends on the agreement between the supplier and the purchaser.

More and more often enterprises also announce that they are discontinuing production of a specific range of products that is unprofitable for them. Some products have already disappeared from the domestic market with no substitutes, and there is a real danger that others will soon follow. It was for this reason, for example, that Tesla Orava stopped producing small portable color televisions; the ones with larger screens are more profitable.

Another factor that, to a certain degree, has a negative influence on the supply, is the producers' unwillingness to distribute their products to more distant locations. This problem can be graphically demonstrated by the regional shortage of bricks or the short supply of South Bohemian cheeses on the shelves in Prague shops. Specifically, the monopoly producer of wooden entrance doors—the East Bohemian Wood Factories—will not deliver its products to Western Bohemia, Southern Bohemia, or Northern Bohemia, while the West Bohemian Wood Factories refuse to deliver a single veneer door to Northern Bohemia or to Southern Moravia.

The production companies are increasingly guided by their economic interests, and commerce does not have adequate legal or economic tools at this time to exact the necessary deliveries. Apparently, an improvement in supplies to the domestic market will largely depend on the easing of restrictions on imports and on an increase in production and competition on the part of private businessmen.



**'Experiment' in People's Capitalism Viewed***90CH0317A Bratislava NOVE SLOVO in Slovak  
12 Jul 90 p 3*

[Article by Peter Vapenik: "Unique Experiment"]

[Text] If I pursue the same goals for a radical economic reform suggested by editorial comment and which generated the introduction of the so-called ownership coupons, I am reminded of the term "people's capitalism" which used to be applied back in the 1970's to the so-called social peace in the countries of West Europe. From the Marxist standpoint, it was a pejorative term; from the standpoint of the politicians in the countries of West Europe, it was meant to imply to the people that anyone can become an entrepreneur and that its objective was to achieve social peace.

What inspired me to dust off that concept was the fact that, although approved by the session of the government of national understanding, all steps for the processing of this material and their possible variations for a radical economic reform in reality have still not been widely and comprehensively published. Thus, the main problem is not the achievement of the strategic objective, i.e., creation of a prosperous society integrated at least into the European (if not world) system of market economy. The method, aims, and effects of partial steps toward the reform are gaining importance; although we shall not feel their impact in five or six years, they will produce instant effects on our whole society.

The trend turning economic policies on a worldwide scale away from the policies of state control and interventions to liberalization in the form of company policies was already correctly characterized during the restructuring attempt. If it concerns a change of ownership of the state enterprises from national to company and privately owned (a change to joint stock companies), it will mean progress. Furthermore, it also is progress that the transition from administration by the sector and government to management by executive council and stockholders' general meeting will render management of enterprises as sources of profits more flexible. However, the chosen form of privatization of state ownership in itself is quite a unique experiment in the world. Alas, we had always paid dearly for experiments in our country. There were countries which, to get their economy moving, would put into circulation the so-called state bonds payable in about twenty or thirty years. Although that put their economy in motion, inflation was also put in motion. Of course, those countries obviously did not know how to "sequence," as our governmental experts would say, their steps correctly.

Our form of "putting" our economy "in motion" is the so-called ownership coupons which will be distributed to our citizens free of charge. The assets of the whole nationalized national economy will be parcelled off as ownership coupons. However, citizens must deserve their ownership coupons. Enlighten me, please, in what

way? By demonstrating their ability to invest their savings, or by proving their entrepreneurship talent? By their moral integrity or by presenting evidence that they were not part and parcel of the old regime? On 26 June, our TV broadcast its "Events" program with a segment in which Dr. Cada offered advice on entrepreneurship within the adopted law. In a very humorous way he referred to the inchoate conflicts. Alas, all he forgot was the fact that in the postelection period the reference to the so-called old structures fully applies not only to the no longer existing Communist structures but also to the outdated post-November structures—"made in the Civic Forum and the Public Against Violence"—that today, in the postelection situation, again no longer reflect our political reality.

Another progressive step which will help introduce a market economy into our country will be the necessity to activate the ownership coupons held by our citizens. The usual method to activate capital in the world is by creating a system of stock exchanges where any owner of stocks and bonds (i.e., of capital) may buy and sell assets and thus, put his funds into circulation. Therefore, the obvious assumption is that stock exchanges will be opened in Prague, Bratislava, and Brno and that a stratum of stockbrokers (expert stock exchange traders) will be trained; numerous advisory and counseling agencies will be opened to advise stockholders how to manage their assets and to offer information about the value of companies and about projected fluctuations in their stocks.

However, there is a moot question—will the ownership coupon represent capital? Or will it be just a ration card for certain rights to purchase in the stock exchange stocks and bonds with one's own funds? Something like a chip for the roulette? And if so, who in our country has in fact enough money for speculation in the stock exchange? Young families? Pensioners? Young people? Workers? Intellectuals? Small entrepreneurs? If an ownership coupon represents capital, in what legal way can it be sold? Who will guarantee now, when we have opened ourselves to the world, that our less affluent citizens and speculators would not sell their coupons to foreigners? Or that they will not be figureheads in fictitious companies founded with one hundred percent participation of foreign capital?

The administration should guarantee everyone equal chances for involvement in entrepreneurship, except the fact is that each enterprise has a different value, in other words, different worth. If by allotment of coupons or purchase of stocks one person obtains stocks of an enterprise of inferior quality, he will not earn dividends, that is, his share in profits which is disbursed once a year. If he does not have money for better stocks, he will not get rich. And so, let us assume that the rich will buy stocks and get richer from their dividends, and the poor will sell their stocks and will not get richer. The law will start from the same line, but in a short time it will create an affluent stratum, while the rest will be the poor because they cannot speculate. The poor will continue to

sell their labor in the labor market, while the rich will be able to enjoy the benefits of their dividends. If (God forbid) it should happen that coupons would be the only form of employees' participation in the management of enterprises then it would be hard to establish democracy in our country. And the myth of people's capitalism will be shattered again as it was some time ago in West Europe.

Why is it necessary to follow only one way toward citizens' participation in enterprise management—the way of joint-stock companies? After all, various such forms exist in the world, from the so-called holding companies with the receivership of small stockholders, through a system of the so-called employees' funds (known in the United States as the "EZOP" system), up to economic leases of companies and cooperative forms of ownership. All in all, the form of economic lease proved its worth during the transition from the environment of centrally planned economy to a market economy; it does not demand any substantial growth of capital expenditures because it activates the assets of human labor. However, I am forgetting that the economists of our government have ordered shock therapy for our economy which does not know the term "transition."

Another question is, whether our population does not have to earn its allotted coupons by buying up enterprise stocks. In that case I understand that it is correct to focus on getting into circulation cash held in personal savings deposits by selling stocks in the form of coupons. A citizen who invests his savings will expect a quick return in the form of dividends and will not spend too much for consumption. This would save our economy from inflation and from collapse of the market (should supplies stagnate so much as to make it necessary to ration goods). Although we want to establish a market economy, we forget that in the situation of free price increases and with the vision of freely convertible currency our citizen will wish to "enjoy" his money at last and will neither want nor know how to invest it as an entrepreneur. Having been brought up in scarcity, he will want first of all to use his money for attractive, quality goods he has known thus far only from catalogues of foreign companies.

If we therefore forgive our government its natural effort to make us think along its own lines and to turn us into entrepreneurs overnight, we may derive the following positive results from the use of ownership coupons suitable for application, namely:

1. The opportunity to activate personal savings by financing company entrepreneurship without having to use state financial resources;
2. Voluntary restrictions on personal consumption to the benefit of the economic development of our society (for the majority of citizens it will be comparable to the impression that, during the building of the material base for socialism, it was necessary to develop heavy industry at the cost of the development of consumer goods).

3. Offer of attractive opportunities for citizens to obtain higher values for their savings than the selling price of the citizen's own labor (especially interesting for the stratum of the unemployed who have savings from the previous system).

We are forgetting one—the most important—thing: the risk involved in entrepreneurship, the potential impoverishment of a broad stratum of citizens in the case of economic recession due to declining values of stocks in stock exchanges or due to bankruptcy of insolvent companies. Despite the carefully "sequenced" economic reform, this poses a very real risk if we consider that we have opened up our economy and let in the world market under circumstances when a domestic market environment does not yet exist and when we are only beginning to learn how to introduce the market mechanism.

The so-called people's capitalism in the world has been a failure. Thus, if we do not want to retreat to the beginning of this century in the economy and organization of the market, we should weigh also some other forms and methods of privatization of enterprises and economic activation of the public which may have become more advanced since those days.

In conclusion, permit me a personal note. I myself am looking forward to the period of people's capitalism because I have a whole lot of relatives, so the scenario for my entrepreneurship is quite clear. We shall establish an association, buy stocks of the Dimitrov enterprise in Bratislava, declare its bankruptcy, liquidate it, and on its premises we shall declare and establish a natural park for Bratislava. What does it matter that thus, we shall thus squander a fortune. What was freely given, does not really hurt. Some charity organization will donate a tent to us and mushrooms were always plentiful in the climate of Bratislava. Thus, permit me to toot my entrepreneurship horn a bit: I will take orders for entrepreneurship scenarios with my own coupons. What God gives, God takes away.

#### Privatization Approaches Discussed

90CH0317B Bratislava NOVE SLOVO in Slovak  
12 Jul 90 p 3

[Commentary by Tibor Liptak: "Freely About Serious Matters"]

[Text] Many of us have been thinking for quite a while about the possibilities, or rather impossibilities, of reforming the old authoritarian system of economic operations. Gradually and timidly the word "market" began to be used again, although today in an apparently illogical term "planned controlled market" because the idea of introducing a market economy used to be connected with an economically efficient economy intended to satisfy citizens' needs; for that reason, it was attractive.

The sociopolitical developments after 17 November opened new horizons for thoughts about market economy and about the method of transition to it. The transition to the market economy became the focus of our economic reform whose part is also the effort to denationalize most enterprises. For economists and non-economists, there are many unclear aspects remaining precisely in this effort for magnanimous privatization conceived as a "stroke of lightning." It is based on issuance of ownership coupons to citizens that will entitle them to "claim a corresponding value of property heretofore in state ownership" (Komarek). Information about that step that has reached our public thus far may be described in various terms, except as satisfactory. Thus, many questions remain to be answered about the issuance and the owner's options of disposal of his ownership coupon, as well as about his general status in economic relations.

Before beginning to discuss the topic of ownership coupons and what to do with them, I should like to call the reader's attention at least briefly to the views of a practicing economist, the director of the Desta enterprise in Decin, concerning this form of privatization. Eng. Gregř regards its rules and methods as equally authoritarian as the concept of nationalization in 1948. He considers privatization above all an economic and not a political category. It should be introduced only where actual participation of private capital is necessary or appropriate (HOSPODARSKE NOVINY 4 May 1990).

Therefore, in the spirit of the slogan "Every Citizen an Entrepreneur," every citizen should receive an ownership coupon as a parcel of popular stocks in a certain value of investment money. In practice, this will refute allegations that during the years of totalitarianism we have forgotten how to be entrepreneurs.

Thus, we are coming to the first premise of this step: Every citizen wants to get involved in entrepreneurship and knows how to do it. Naturally, as it happens in life, some people know and want more, others less. Some individuals may not even want to engage in entrepreneurship for the very reason that they do not know how, or because they feel a greater responsibility for their parcel of stocks—let us say, in the value of Kcs1 million. Well, what to do in that case? How can they honestly dispose of their Kcs1 million which actually is not a million? Or will they be able to refuse it in advance and will they thus give up their dividend? Under which conditions may they lease their stocks?

Many are haunted by the question of how a citizen-entrepreneur will act if he becomes the owner of stocks for which he did not pay. Will he not try, let us say, to exchange a fictitious value of the ownership coupon for cash, even at, say, only ten percent of its value? Will some smart alecks and con artists whose philosophy is "a bird in the hand is better than two in the bush," follow it to accumulate as many people's stocks as possible? There is no need to speculate which social groups would have

financial funds available for this type of entrepreneurship. That would be a lovely way to lander dirty money.

I think that we have nothing to fear. Obviously, the stock exchange will fully assume the role of the collector and distributor of stocks. Eng. Gregř's comments impressed me by the idea or problem which he poses. He proceeds from the premise that if every citizen receives stocks worth Kcs1 million in investment, and since our population numbers 15 million, the total value of the stocks would amount to about Kcs15 trillion. However, our total national assets are estimated at less than Kcs4 trillion. Would then the remaining Kcs11 trillion be inflationary?

In my view, the stock exchange could easily resolve this particular problem. With a large number of persons interested in the property of the state, i.e., a large number of ownership coupons, according to the law of supply and demand the real value of stocks would diminish several times. The real value of people's stocks could then easily drop far below the level of the above-mentioned state assets valued at Kcs4 trillion. This would create a space for the issuance of the stocks which our or interested foreign parties could then purchase for real money. All this would be done in accordance with the saying "The wolf has eaten, the goat is still alive," or according to the rules of the new board game "Everyone an Entrepreneur," which is an updated version of the game "Aggravation." Permit me not to belabor any more this naive economic meditation about what would happen if...

I hope that in the spirit of what the authors of the economic reform advocate as the principle of adequate and prompt public information, real, rather than fictitious, methods of privatization of state property and their problems will become known before long.

## GERMAN DEMOCRATIC REPUBLIC

### Marketing Regulations To Apply to Farm Sector

90GE0252A East Berlin REGIERUNGSPRESSEDIENST  
in German 30 Jul 90 pp 1-2

[Unattributed interview with Dr. Claus Ruttloff, chairman of the board, Institute for Agricultural Market Organization; place and date not given]

[Text] [REGIERUNGSPRESSEDIENST] What goal is to be served by the law enacted by the People's Chamber on the introduction and implementation of market organizations for agricultural and food industry products—the market organization law?

[Ruttloff] The market organization law serves to orient the GDR farm and food sector towards speedy and complete integration into the farm sector of the European Community (EC), and hence also into that of the



FRG. For this purpose a price support and tariff protection system corresponding to the EC market regulation system was introduced. Thus, since 2 July, the most important elements of the EC market regulations apply to all goods sectors.

[REGIERUNGSPRESSEDIENT] What are market regulations?

[Ruttloff] In addition to prices, market regulations are the EC's most important tool to direct agricultural production into the desired channels and to stabilize markets. In general, they provide a price and trade regulation for the internal market, and stipulations on trade with third countries. Thereby the price of agricultural products on the EC market, and also in the GDR for most products, is higher on the domestic market than on the world market. This results from the fact that producer prices must ensure the income of agricultural producers and hence their standard of living.

Foreign trade is regulated—in the case of imports, mostly through price adjustment levies (price difference between world market price and the so-called threshold value set by the EC, which is significantly higher than the price level in the EC market), and in the case of exports through reimbursements (price difference between the EC internal market price and the respective world market price in force). On the internal market, in a number of cases price-supporting measures are effected, such as interventions or private storage, [and] quality conditions for trade and partial production quotas are established. In the European Community, many agricultural products are the object of market regulation; in the GDR, such regulations have been developed so far for 10 products or product groups, respectively.

[REGIERUNGSPRESSEDIENT] What tasks do interventions perform?

[Ruttloff] They are a protective system for implementation of a certain price level. In practice it means that in case of declining prices, purchases by the intervention office—that is, the Institution for Agricultural Market Regulation (ALM)—produce an artificial shortage of goods and hence bring about rising prices. In this manner price-regulating measures are taken in order to make the orientation price, the so-called intervention price, function as the standard price in this entire market regulation system. Another method to keep proceeds high for the producer consists in paying storage money to owners of goods, who then agree not to market their goods for a certain time (own inventory holding). Thereby one can also link supply and demand in a dynamic fashion and achieve a leveling of prices in the direction of the intervention purchase price.

[REGIERUNGSPRESSEDIENT] What effect have market regulation costs?

[Ruttloff] These costs are to maintain the actually artificial price level in the EC market. That is to say, one uses them to carry out interventions, to finance private

inventory holding, and also to pay allowances, for using skim milk for fodder, for example. In addition, they are used for reimbursements, for instance, for exporting products, i.e., removing them from the domestic market. Hence market regulation costs represent a direct financial subsidy for farmers.

[REGIERUNGSPRESSEDIENT] What practical results has the market organization law produced in the meantime?

[Ruttloff] It was only passed a short time ago, on 6 July 1990, so the market regulations are not yet fully effective. Moreover, quite a number of preconditions are still lacking. The most important point is that the farmers, the processing industry and the trade understand the mechanism of market regulations so that they can use and apply it meaningfully. It is a fact that the market functions only through the correct relation between supply and demand. Both are far from normal at present. They must first be normalized by those concerned. This means, on the one hand, that agricultural enterprises must offer their goods to the processing industry or trade at reasonable terms of price, good quality, and on time. Furthermore, reliability is required in dealing with each other. On the other hand, demand by trade and industry is also part of it. Here the great problem is that, objectively, there is not sufficient willingness to purchase in the processing industry due to a lack of credit for financing working capital. Decisions must be made which ensure that banks will grant such loans for financing working capital.

As an example of fresh food supplies, I would like to mention milk products. The fact that the processing industry did not set real price offers for the trade in good time had an impeding effect. It led to the situation where the trade at first did not buy. There was talk about inadequate quality, or inadequate packaging. Meanwhile it became evident, however, that most customers do want GDR products in their present conditions, but naturally for a reasonable price. Now, something seems to be moving here.

Thus it is a fact that the partners in trade showed great inflexibility. But one must be on the move. Whoever does not develop activities will be pushed out of the market and will not make it back in. Many have realized that in the meantime, which will surely contribute, so that things here will gradually move forward. But it is important that the financial prerequisites be clarified, through working capital, for example—which is simply needed to handle such business.

[REGIERUNGSPRESSEDIENT] Would you, please, clarify individual examples of market regulations?

[Ruttloff] In the case of grain, state regulated prices and preset acceptance and supply obligations between the respective market partners are replaced by price and delivery agreements to be freely negotiated. The basis for reference is the EC grain market regulation in force in the GDR and the EC, respectively. Internal price support



will be effected through purposeful and limited state purchase at the intervention purchase price, which in the GDR, as well as the rest of the EC, as of November, will amount to about DM380 (August: DM369) per ton of wheat, and about DM360 (August: DM350) per ton of barley. In contrast to the otherwise usual 1 November date regulation, purchasing this year already starts as of 1 August. However, after November the intervention purchase price will rise ever higher. By next May it will be most expensive to sell grain because the high interest rates accruing by then and the costs for storing the grain are charged every month with so-called continuations. This amounts to approximately DM3.56 per ton per month. This amount is also determined by the EC. The goal is to make stockkeeping in the agricultural enterprise as lucrative as possible. After all, grain is not to be produced for intervention, but rather for the consumer market.

The grain market regulation also provides that the producer pays a so-called coresponsibility levy to balance the market. The levy this year in the GDR, as in the EC, amounts to 18 marks and one pfennig per ton. That is to say, in a grain sale the first purchaser has to subtract this amount from the sale price and remit it to the GDR budget, in the EC to the EC budget.

The market regulation for milk and milk products in the GDR contains the basic rules for tariff protection, price support, allowances, quality, guaranteed quantity regulation and coresponsibility levy.

Milk deliveries in the GDR amounted to 7.76 million tons last year. About 8.3 million tons are estimated for 1990. If one assumes that the same consumption habits will develop as in the FRG and that the products also are of corresponding quality, approximately 6.22 million tons could be sold in the GDR. For this reason, production must be reduced by about 20 percent compared to 1989, and as soon as possible at that. This is to be promoted by the market regulation. For the period 1 July 1990 to 31 March 1991, the delivery quantities for agricultural enterprises are established by the district administration offices. Compared to 1989, they have been cut by 8 percent.

To stabilize milk prices, since 19 July, the market regulation office has made interventions for butter and powdered skim milk. Dairy enterprises have thus the possibility of directing offers to the market regulation office, ALM. If the quality is good enough for intervention, the applicants then are assigned to the respective cold storage depots. In this manner the surpluses of butter and spray skim milk powder are purchased. This is done to give the dairies the certainty that they can sell their goods in the first place. Moreover, in order to ease the milk market, the state also pays allowances, 22 pfennigs per liter of skim milk fed to pigs, and 11.4 pfennigs per liter of skim milk fed to calves. For skim milk powder used in the mixed feed industry, a considerable reimbursement is paid in the amount of 3,587 marks per ton. However, it is more important that the

dairy enterprises get their products to the dealers and the population in order to supply the domestic market.

### **Liberalized COCOM Restrictions Detailed**

*90GE0254A East Berlin AUSSENWIRTSCHAFT  
in German 18 Jul 90 p 3*

[Article by Seiffarth: "Liberalization of COCOM [Coordinating Committee on Export Controls] Regulations for the GDR"]

[Text] Commerce in goods, services, capital payments, and other economic commerce by the GDR with foreign currency areas is basically unrestricted.

So states the Law on Foreign Trade, Capital and Payment Transactions—GAW—(see AW [AUSSENWIRTSCHAFT] 11/28 July 1990, document portion), in effect since 1 July 1990. Limitations and bans are to be reduced to a necessary level so that there is as little intervention in the freedom of economic activity as possible.

The primary limitation prospects are listed in Paras. 8 through 11 of the GAW. For example, limitations can occur for the fulfillment of intergovernmental agreements, for the defense of critical influences from foreign currency areas or for the protection of security and outside interests.

### **Approval and Monitoring Procedures for the Importation and Exportation of High-Tech Products**

A considerable approval and monitoring procedure that offers GDR enterprises new and expanded opportunities to increase their competitiveness by selling and/or importing high-tech products and to more quickly achieve integration with the industrial level of other developed industrial states arises from the liberalization of COCOM [Coordinating Committee on Export Controls] regulations for the GDR.

In other words, the economy of the GDR profits from the liberalization of COCOM regulations. Simultaneously, it must be expressly mentioned that the GDR is not automatically a member of COCOM and that numerous regulations applicable to the GDR must remain in force for the time being.

In return, the government of the GDR accepted the obligation to the COCOM states to introduce approval and monitoring procedures for the exportation and importation of goods and technology subject to control and to back it up legally. The COCOM states have designated goods that, for diverse reasons, are subject to special sensitivity and thus are not approved for exportation or are only approved under certain conditions. These goods are summarized in a list of exports.

The approval and monitoring procedure is subject to the Office of Foreign Economy and the Customs Authorities (Resolution of the Ministerial Council, 8 June 1990). On the one hand, it is required to guarantee that goods and

technology imported from member countries of the Coordinating Committee for Multilateral Strategic Export Controls (COCOM) [as published] are utilized exclusively for civilian purposes and may not be reexported without previous approval by their Governments. On the other hand, it must be guaranteed that goods and technology produced in the GDR that comply with the products on the COCOM export list may only be exported with an export authorization confirmed by the Office of Foreign Trade.

Australia, Belgium, the Federal Republic of Germany, Luxembourg, Denmark, France, Greece, Great Britain, Italy, Japan, Canada, Holland, Norway, Portugal, Spain, Turkey and the United States are COCOM Countries.

The aforementioned Exportation List (AL) is soon to be published as the First Implementation Regulation of the GAW. In Part I, it is arranged in Sections:

- A. Weapons, munitions, arms material.
- B. Nuclear energy, materials, installations, and equipment.
- C. Other goods and technology of strategic importance and metal processing machines, chemical and mineral oil installations, general industrial equipment, means of transportation, electronic and precision devices, metals, minerals and derivative products, chemicals, metalloids, and mineral oil products.
- D. Chemical installations.
- E. Installations for producing biological materials.

Special country lists are being published in compliance with a Second Implementation Regulation of the GAW. Accordingly, approval procedures are also being conducted differently based on distinct statutes of the Countries.

#### Exportation

Basically, every company that wants to export is legally obligated to verify, based on export lists, whether the intended export is a product or technology subject to approval.

Particulars of the Procedure for Export Approval are set forth in Paragraph 19 of the Statute on Foreign Trade (VAW) that also took effect on July 1, 1990.

Accordingly, exportation is to be applied for with an Application for Export Approval (Enclosure 5, Statute on Foreign Trade) (sample on p. 4).

Exact preparation of the printed form, as well as the inclusion of supplementary, technical or catalogue material, is very important. In addition, an International Import Certificate is to be included with the Export Application, if a purchaser or destination country, from country list D, for example, is involved. The purchaser applies for this import certificate from the authorities. If neither purchaser nor destination country appears in

Country List D, the purchaser must obtain a civil law Declaration of Final Destination and enclose it with his Application for Export Approval (sample on p. 45).

If the exporting firm is in doubt whether the intended export is subject to approval (no clearly free goods and no clearly controlled goods), then an application for Negative Certification can be made with the Office of Foreign Trade. Presenting this Negative Certification simplifies customs procedures.

#### Imports

The Office of Foreign Trade issues International Import Certificates on application as a special form of a Declaration of Final Destination for the importation of products or technology subject to approval from COCOM Countries.

Upon receipt of the products in the GDR, Certificates of Goods Received (cf. Paragraph 29, Statute on Foreign Trade) are issued in a similar manner by the Office of Foreign Trade on application and forwarded to the foreign exporter for his government supervisory officials through the GDR importer.

In commerce between the FRG and the GDR, the supplier from the FRG is obligated to complete a printed form—Application for Issuance of an Official Declaration of Final Destination—and to forward it to the Office of Foreign Trade for confirmation through the purchaser in the GDR. Also, the sale of goods specified in Part I of the Export List as part of a transit trade transaction requires approval, if the purchaser and destination country are not members of the OECD (countries that are especially identified in the A/B Country List). The application is to be submitted by the transit merchant in the GDR to the Office of Foreign Trade as a printed form, "Application for Approval of a Transit Transaction." Whoever requires an international import certificate or a certificate of goods received as a transit merchant, must apply for this with the Office of Foreign Trade.

Accordingly, Paragraph 29 of the Statute on Foreign Trade applies in this context with the condition that the import in the purchaser or destination country designated in the application is to be certified.

The aforementioned remarks regarding the approval and monitoring procedure for so-called embargo goods are based on the currently valid export list, dated 20 February 1990. See also AW 26/27 June 1990, p. 6 for completion of agreements finalized through 30 June 1990.

#### Ordering Printed Forms and Export Lists

The printed forms and/or export lists mentioned above are available in all District Offices of the Chamber of Industry and Trade. The Application for Export Approval and the official Declaration of Final Destination (for purchases from the FRG) may also be ordered

directly from Purschke & Hensel, P.O. Box 470663, Kanal Str. 7-11, 1000 Berlin 47 (Rudow). The Export List, the Application for Approval of Transit Transactions and civil law Declaration of Final Destination can be ordered on a limited basis from the Office of Foreign Trade, Office of Consultation, Leipziger Str. 5-7, 1080 Berlin, Tel. 2325864, until a printing shop takes over sales and marketing (business hours: Monday-Friday, 1000-1600).

## HUNGARY

### Stock Exchange Reopens; President, Commission Chief Interviewed

#### Commission Chief Interview

90CH0308A Budapest FIGYELO in Hungarian  
21 Jun 90 p 13

[Interview with Dr. Zoltan Pacsi, chief of the Securities Commission, by reporter Ivan Wiesel; place and date not given: "Budapest Stock Exchange Reviving After More Than 40 Years"—first paragraph is FIGYELO introduction]

[Text] About the time our paper will be appearing on newsstands, the Budapest Stock Exchange will be reopening after more than four decades. To mark the occasion, we requested an interview with Dr. Zoltan Pacsi, the chief of the Securities Commission

[Wiesel] How do you assess the Budapest Stock Exchange's reopening, from the viewpoint of the development of Hungary's capital market?

[Pacsi] The exchange's reopening is an important milestone in the domestic capital market's development, but by no means the end of the road. This process began in the early 1980's when regulations governing bonds were devised, and the issuance of bonds began; subsequently regulations were elaborated for other securities, and the Law on Business Associations was enacted; finally, in January of this year, the Securities Law was passed. That law makes possible and defines the functioning of the Budapest Stock Exchange in conformity with the statutory regulations that are in force. Actually, the law sums up the spontaneous development of securities trading that took place in the 1980's. In 1987, an agreement among the banks established the Securities Trading Secretariat, the purpose of which was to establish a stock exchange. The conditions for the operation of the stock exchange are gradually being realized, and in this area I would caution against any impatience, against attempts to boost the trading volume by artificial means.

[Wiesel] What is the role of the Securities Commission?

[Pacsi] The commission oversees the enforcement of the Securities Law, and also controls and aids its implementation. Under the direction of parliament, the government or the minister of finance, there is state oversight

everywhere in the world where stock exchanges operate. In our country, the Securities Commission is a separate legal entity, under the supervision of the minister of finance. Incidentally, in drafting the Securities Law and establishing the commission we relied extensively on Western experience and consulted the most authoritative foreign experts in this field.

[Wiesel] What specifically does oversight involve?

[Pacsi] Enforcement of the rules governing the stock exchange's operation, and control of trading on the stock exchange. The exchange, of course, is a self-governing organization, but everywhere in the world there are "traffic regulations" for the stock exchanges, and also "traffic cops" to enforce those regulations. The experience is that there are always violators, as well as people who want to prevent violations and to punish the violators. On the one hand, the commission intends to enforce the rules governing general market supervision; and on the other hand, it wishes to protect investors and to act as their interest-safeguarding organization. This latter role, I believe, is the most important function of the Securities Commission.

[Wiesel] What tools are available to the Securities Commission in exercising its functions?

[Pacsi] The Securities Law specifies the tools available to the commission. The tools define the scope of official intervention and what sanctions may be imposed. I personally would rank above the tools for our official functions those that, hopefully, the commission's now-evolving human capital will provide eventually for our information service and other interest-safeguarding duties. I regard such work as a part of developing the market's infrastructure, and I intend to organize and direct it accordingly. It follows from the commission's regulatory nature that even sanctions such as expulsion from the stock exchange, suspension of trading, delisting, fines, etc. are conceivable. I hope we will rarely have to resort to such sanctions, because improving business ethics will eventually not warrant them.

[Wiesel] Now, in the process of conversion, mostly close corporations are being formed, and therefore there are only a few companies listed on the stock exchange. Would it not be better to encourage the formation of open corporations, which could then be listed immediately on the stock exchange?

[Pacsi] Although the Securities Law permits the establishment of open corporations, I would not encourage their founding. There is no need to have the stock exchange show a large volume of shares, by means of an artificial solution. The laws in most foreign countries do not even permit the direct founding of open corporations: a corporation has to be in operation for 1 to 3 years before it can be listed on the stock exchange. This is useful, because the investor is thus able to obtain information about the operating results of the company he is interested in; whereas the corporation that is listed on



the stock exchange the moment it has been founded poses for the investor, in a certain sense, the danger of jumping in blindfolded.

[Wiesel] To what extent will the Budapest Stock Exchange be open to foreigners?

[Pacsi] It will be possible to quote also foreign securities on the stock exchange. The foreign corporations operating in Hungary, and the joint ventures with foreigners, will be able to have their shares traded there. However, the appearance of such shares on the stock exchange is not timely at present, due to the fact that the forint is not yet convertible, and also to Hungary's large foreign debt. On the basis of business considerations, then, capital transactions of this kind are not very likely.

[Wiesel] Will Hungarian enterprises also be able to have their securities traded on foreign stock exchanges?

[Pacsi] Yes, and there are already precedents for this. But enterprises intending to have their securities traded on foreign stock exchanges should be warned that they may do this only with the permission of the Hungarian National Bank and of the Securities Commission.

[Wiesel] What is the reason for this restriction?

[Pacsi] We do not want one or two foolhardy ventures to spoil the Hungarian enterprises' reputation. But this will be necessary also for general control of the flow of capital, even after making the forint convertible. By the way, most of the advanced industrial countries also exercise control over the flow of capital.

[Wiesel] A slight deviation. Why is the price of an IBUSZ [Touring, Procurement, Travel, and Forwarding Corporation] share close to 5000 forints when its nominal value is merely 1000 forints?

[Pacsi] When placing its shares on the market, every operating corporation disregards the nominal value of its shares. Instead, it strives to calculate the market value of its shares and offers the shares at that asked price. If the market accepts the asked price, the enterprise has assessed correctly how investors view its activity. If the market does not accept the asked price, the enterprise's assessment has been off the mark. We will see how things turn out in IBUSZ's case. But IBUSZ has not done anything that the Securities Law forbids.

[Wiesel] Now when the wave of enterprise conversions is at its peak, the valuation of assets and the determination of an enterprise's net worth have shifted to the forefront of attention. Is the stock market's valuation suitable for determining the market value of an enterprise?

[Pacsi] The stock market is able to give its valuation of an enterprise's assets, but it is unable to offer a comprehensive valuation. That is because the development of the quoted price of an enterprise's shares depends not only on the enterprise's profitability: it is influenced also by political and other factors that affect the market in particular ways. Hence it follows that computations

based on the shares' current price, or on how much dividend the shares pay, do not give the enterprise's entirely reliable and real net worth.

[Wiesel] Amidst the inflation Hungary is now experiencing, is it advisable to invest one's money in shares?

[Pacsi] Yes, it is. As a rule, shares are one of the most effective hedges against the inflation. A properly managed enterprise's assets and turnover appreciate commensurately with the rate of inflation, and that is reflected also in the market price of the enterprise's shares. In other words, there is no depreciation, and therefore the dividend is real profit. For this to happen, of course, the enterprise must be prospering.

[Wiesel] In conclusion, what is your advice for future individual investors and future gamblers planning to play the stock market?

[Pacsi] They must learn the market's rules, acquaint themselves with the various securities and be able to tell them apart. They must understand what influences prices in the market. And they must also learn how to compute the price/earnings ratio, something that even the secondary schools specializing in economics have not been teaching for decades. Investors can play the stock market successfully only if they know the enterprises, the securities and the factors influencing the market, and if they know how to calculate the expected return on their investment.

### Exchange President Interview

90CH0308A Budapest MAGYAR HIRLAP  
in Hungarian 22 Jun 90 p 9

[Interview with Dr. Lajos Bokor, president of the Budapest Stock Exchange, by reporter Csabai on 21 June in Budapest: "We Need Growing Public Confidence"—first paragraph is MAGYAR HIRLAP introduction]

[Text] The organization meeting of the Budapest Stock Exchange elected as its president Lajos Bokor, the managing director of the Hungarian National Bank. On this occasion, on the day the stock exchange officially reopened, we interviewed the prominent financial expert mainly about the future of the securities market that, hopefully, will soon be booming.

[Csabai] You are also an MSZP deputy in the National Assembly. In future, how will you be able to reconcile that office with your new position as president of the stock exchange?

[Bokor] I already have some ideas on that, but I do not wish to disclose them for the time being.

[Csabai] What tasks await you during the first days of the stock exchange.

[Bokor] First of all, today we will officially sign the stock exchange's bylaws, which will have to be approved by the Securities Commission. Then the government must



decide whether it will authorize the startup of the stock exchange. In all likelihood, this will be a lengthy legal procedure. But because there will be many tasks confronting the stock exchange in the meantime, the Council of the Stock Exchange will be holding its first meeting on Monday, the 25th of June, at 1700 hours.

[Csabai] What will be discussed at that meeting?

[Bokor] We will put into writing primarily the set of conditions for securities trading, and lay down the rules for settling and clearing transactions on the stock exchange. So far as the immediate future is concerned, we will gradually develop the stock exchange's information system. Most of the computers are already available. The real problem is more likely to be their adaptation to the conditions in Hungary.

[Csabai] Where will the dealers be trading in securities?

[Bokor] For the time being they will continue to trade at the International Commercial Center. Foreseeably toward the end of this year, however, we will be able to occupy the new trading floor that is being built in the Budapest Bank Building. We will have to monitor that work, too.

[Csabai] What will be the division of labor between the president of the stock exchange and its managing director?

[Bokor] According to the bylaws of the stock exchange, the president directs the institution and is responsible for rule changes and for the satisfactory resolution of disputes between members. The Stock Exchange Ethics Committee helps the president to resolve such disputes. The managing director on his part ensures the up-to-date meaningful operation of the stock exchange, and to that end he handles all the day-to-day tasks.

[Csabai] What are the conditions for normal securities trading on the stock exchange?

[Bokor] That depends primarily on how supply and demand develop. It will be necessary to implement consistent privatization to ensure the availability of a suitable volume of securities. And demand is influenced to a large extent by the general investment climate. In other words, we need favorable tax rules, growing public confidence, successful policies against inflation and on setting interest rates, and suitable regulations on foreign investment.

[Csabai] In your opinion, how much interest has the reopening of the Budapest Stock Exchange generated abroad?

[Bokor] About 700 foreign guests advised us of their intention to attend the reopening. They included such prominent personalities as the chairman of the Securities and Exchange Commission of the United States, experts from the central banks of East and Central Europe, and a delegation of stock exchange presidents from within the Common Market.

[Csabai] The OTP [National Savings Bank] could not be there among the founding members because it ran out of time in converting itself into a corporation. How much of a loss will this cause the bank that has played a leading role in reintroducing securities trading in Hungary?

[Bokor] I sincerely hope that the OTP's loss will be as small as possible. It really made an exceptional effort to convert itself into a corporation. Unfortunately, the conversion could not be completed by the time that the stock exchange held its organization meeting. In spite of this, there is no cause for concern: founding members do not enjoy any advantage over ordinary members. The Securities Law specifies the conditions one must meet to become a member of the stock exchange. As soon as the OTP satisfies those conditions, it can join the stock exchange without delay.

[Csabai] The organization meeting elected also an investors' representative. We are not familiar with that office.

[Bokor] That person does not safeguard the interests of individual investors. Instead, he represents the investors' viewpoint before the Council of the Stock Exchange, within the limits of the rules. In other words, he attempts to integrate a broader interest, with due consideration not just for the members of the stock exchange, but for the national economy's development as well.

#### **World Bank Helps OTP Privatization, Expanding Profile**

*25000776C Budapest FIGYELO in Hungarian  
26 Jul 90 p 13*

[Interview with National Savings Bank [OTP] president Dr. Laszlo Tisza by Ivan Wiesel; place and date not given: "The OTP Supports Entrepreneurial Ventures"—first paragraph is FIGYELO introduction]

[Text] According to OTP president Dr. Laszlo Tisza's statement to Ivan Wiesel, the OTP [National Savings Bank] will soon function as a stock corporation. Some timely issues related to the operations of the OTP were also discussed in the course of meeting the president.

[Wiesel] Rumors in professional circles are that the finance minister instructed the OTP leadership to prepare its privatization program by 31 July. How can you prepare yourself for this process in such a short period of time?

[Tisza] The report is erroneous. We did not, and could not have received an instruction like this from the finance minister. Most likely the following is behind this rumor: In a manner similar to other financial institutions, the OTP is borrowing money from the World Bank for technical modernization. Negotiations have been going on concerning this since last year, and an agreement was signed between the World Bank and the government in power at that time. As a condition for granting the loan the World Bank requested that the

OTP transform itself into a stock corporation by 30 June 1990. This is supported by the idea that corporate law provides assurance that the financial institution's dependence on the government would cease, and that it should be able to pursue long term business policies. The OTP prepared its proposal for transformation last February, and submitted the same to the previous government. But that government did not conduct negotiations on the basis of this proposal; this task was to be accomplished by the new government. Recently World Bank representatives held the financial leadership to account for the fulfillment of the above mentioned condition. This is why the Hungarian National Bank [MNB] and the Ministry of Finance requested us to prepare our transformation program by 30 September 1990, with the help of the [State] Property Agency.

[Wiesel] What is in this program?

[Tisza] We intend to implement the transformation in two phases. The first phase may be concluded by the end of this year, when the OTP becomes a single person stock corporation, i.e., the state will be the sole stockholder. Privatization may take place during the second phase, in 1991 and in 1992. This time extension is needed because the OTP is a bank which deals with huge amounts of capital and with very many clients. In such a case an inadequately performed privatization may cause severe damage. The privatization law, the law concerning property and other legal provisions which provide security for the efficient realization of a transformation of this character must go into effect.

[Wiesel] You just said that the OTP is a large bank. However, many professionals do not regard the OTP as a bank.

[Tisza] This is a matter of judgment. In my opinion the OTP is a bank. And it is not merely a savings bank in the classical sense. I can prove this on the basis that by now 20 percent of our total activities involves transactions of the character commercial banks perform. Our main profile continues to be that of a savings bank, the personal banking activity remains, but we are increasingly involved in the account management, the financing of small and medium sized enterprises. Insofar as the adjective "large" is concerned, every economic indicator of the OTP attests to that: The magnitude of our basic capital, our final balance, the number of offices, the number of employees, the size of our profits, etc.

[Wiesel] The OTP made various kinds of openings toward entrepreneurial ventures. And yet, why is it that the OTP discontinued the Small Entrepreneurial Bank?

[Tisza] Discontinuing this bank is out of question; only reorganization is taking place. Four or five years ago the OTP recognized the importance of the role played by small entrepreneurial ventures. To support these we established an entrepreneurial office with five employees. This is the nucleus from which the Small Entrepreneurial Bank evolved. In the meantime the OTP also obtained authority to perform commercial banking

transactions. Therefore it appeared as warranted to "integrate" the subsidiary bank which struggled with concerns about resources, with the organization of the parent bank. Thus, the newly established Pest-Buda Directorate has an opportunity to broaden its activities by utilizing resource allocation within the bank.

[Wiesel] Accordingly, the OTP devoured its own child.

[Tisza] This is not a benign approach. Nothing took place that would injure the interests of small entrepreneurs just because the sign above the door changed. To the contrary. As an independent profit center, the Pest-Buda Directorate may pursue its activities on a broader scope than its legal predecessor.

[Wiesel] According to many, the OTP is a conservative financial institution.

[Tisza] Yes and no. During the past half of a decade the OTP was the initiator of entrepreneurial ventures, and it continues this practice with increasing force. I would like to call attention to the fact that the OTP takes part in foreign tourism enterprises, in the insurance profession, it has brought about the establishment of joint banks, etc. OTP participation in various entrepreneurial ventures amounts to about 1.5 billion forints. The total capital in these ventures exceeds 7 billion forints. On the other hand, we are conservative in the sense that one must not manage the money of the populace in an irresponsible manner, therefore we participate only in low risk entrepreneurial ventures. In a certain sense we function as an authority, e.g., when based on a government directive we provide loans for housing while observing the law.

[Wiesel] The OTP is also the bank of councils. What will happen to the OTP now that a new autonomous administrative system is coming about, and local governing bodies will be free to choose their banks?

[Tisza] Also in this regard we will find ourselves in a competitive situation, and we must respond to that situation in every respect. We hope that the new local administration will choose this bank—i.e., us—the bank that has the largest network in the country, and that has most experience in local financing.

#### **Cooperative Landownership Measures Protested**

90CH0310B Budapest NEPSZABADSAG in Hungarian  
21 Jun 90 p 6

[Declaration by the National Council of Agricultural Cooperative Members and Producers: "Position on the Settlement of Cooperative Property Relations"]

[Text] The National Council of Agricultural Cooperative Members and Producers, speaking on behalf of the members and employees of all cooperatives, expresses deep concern about, and moves to protest the recent

passing of certain statutory amendments. The government's gross—and even under the old regime unprecedented—interference in matters falling within the competence of the cooperatives' self-administrative body threatens to thwart the already ongoing healthy process which allows members to become real owners of their cooperatives, and to prevent the forming of real cooperatives.

During the elections the creation of private property, the right of free disposal of that property, and support for business were the central themes of every party's program. Yet it is precisely these rights, i.e., the proprietary rights of the cooperative membership and its right of disposal which the statutory amendments—that are overt practical manifestations of the election slogans of one of the parties of the government coalition—aim to restrict. In a discriminatory fashion, they impose legal binds on the cooperatives, putting them at an economic disadvantage, and morally stigmatize them by explaining the need for restrictions as necessary steps aimed at protecting the collectively owned lands and the wealth generated from them through hard work from themselves. These statutory amendments—and the most recent statement of Political Committee of the Free Smallholders' Party—are an ominous signal that the new land law statute and other subsequent laws will destroy our currently functioning cooperatives, and will defraud their active and retired members of everything that rightfully belongs to them.

The National Council is calling on the Constitutional Court to annul these statutory amendments that are clearly contrary to the enacted provisions of the constitution.

On behalf of our cooperative peasantry we strongly protest what we consider an attempt to force our members to bear the costs of our great rebirth, our system change and the implementation of party policy promises; to take away their livelihood, and to make the countryside a social dumping ground by overwhelming the villages with masses of unemployed. The National Council recognizes and supports all efforts aimed at redressing the proprietary grievances that have been suffered over the past 45 years. This, however, cannot be limited exclusively to the agricultural cooperatives and the question of land ownership. We agree that we need to redress and remedy these proprietary grievances, particularly in the case of those who despite all the difficulties, stood fast by the land, and who even today receive significantly smaller incomes and pensions than those employed in industry, and who because of statutory restrictions have not even had a chance to get a piece of land of their own.

What we need is a general compensatory statute that, taking into account the country's burden-bearing capacity, makes it possible for people to receive compensation on the basis of equality. Compensation in the form of state-issued securities and bonds must be made the basic form of settlement.

Statements designed to calm the fears of the cooperative membership appear to be inconsistent with the facts, i.e., the various measures adopted so far and the government's espousal of the legally and professionally unfounded, and morally unacceptable election slogan of returning to the land ownership conditions of 1947. With this slogan the Smallholders Party was barely able to muster 10 percent of the total votes cast. The agricultural programs of all other parties were opposed to this notion. We must remind the government of the responsibilities it has in bettering the future of agriculture and of those employed in that sector, and in insuring the nation's food supplies.

We must protest the falsehoods and slanders found abound in the statements of the Smallholders' Party, including the misrepresentations contained in its recently released declaration. The Smallholders' Party is not qualified to "award land and a portion of the property" to members and employees working in the producers cooperatives who have no property of their own. This is the job of the cooperative membership which has already begun to take advantage of the opportunities provided for by law, by issuing titles to the members' share of the collective property. It is with this effort that they have so grossly interfered with by adopting this blatantly unconstitutional statutory amendment, which, driven by political considerations, aims to drive wedges among the various strata of our membership, and to use external, peremptory means to decide the manner in which titles to property are issued. By doing so they are also putting at a disadvantage a large segment of the founding generation who have not been able to participate in the collective work for very long, but now would have been able to have their own founding share recognized.

We feel compelled to protest against laws and statements reflecting a lack of full understanding, or deliberate distortions of the truth that would have people believe that the Smallholders' Party is the one destined to help cooperative members who have land to gain full control over what rightfully already belongs to them. The law has long made this possible. It is a different matter altogether, that the mass membership does not wish to take advantage of this opportunity, and in fact fear that such external "help" will rob them of their livelihood provided by the cooperatives.

We once again protest these attempts, motivated purely by party politics, to treat the issue of land ownership separately from the process of general property reform and compensation. For the umpteenth time, the Minister of Agriculture has claimed that they have a draft land law already worked out. On behalf of those who are the most directly affected, we demand that this draft law be put to public debate, and that statutory proposals regarding such vital issues be prepared not by representatives of parties, but by the government which is responsible for the country's future.



We demand that the interest organs of our peasants and producers be included in the preparation of all laws pertaining to agriculture and the cooperatives.

On behalf of the cooperative workers we reject the slanderous claim that agricultural cooperatives can only succeed with the help of state subsidies, and that they are living off of the nation. Today agriculture has virtually become the sole supporter of the state budget, with nearly 100 percent of its contributions to the budget coming from large farms, from the hard work of their members and employees, and to the detriment of the income to which they would rightfully be entitled. Real small producers know that in addition to their own efforts, their truly admirable accomplishments are also due to the background support provided by large farms, and also that the destruction of that background would put all of the burden on their shoulders. This is just as much true as is the fact that the cooperatives are not paying the operating costs of their much talked about bureaucracies because they want to. Many of these payments are social expenditures which should really be covered by the state. Another significant portion of these expenses stems from the unstoppable rise in interest payments due on loans assumed under pressure. And last but not least, the cooperatives also have social expenditures and obligations to the local community.

Those employed in agriculture expect the government to live up to its promise of creating European conditions in our agriculture. It is inconceivable to start up and operate the kind of private agricultural farms that are considered to be the pillars of the new agricultural policy without the Europe-wide employed means of financial subsidies that are necessary to provide producers with incomes commensurate with their work. We expect and demand that the government take immediate steps to minimize the economic and market risks of production, and urgently formulate a clear agricultural policy that promises a future for agriculture.

The National Council is convinced that despite the unfounded attacks they have been subjected to, its members believe in the future of the cooperatives, and will continue to manage their collective property and cultivate their lands with their usual skill and care. We are keenly aware of the fact that despite all of the propaganda to the contrary, the success of ensuring a stable supply of foods to the country and a steady flow of agricultural exports abroad still depends overwhelmingly on us, and our hard work. The National Council is hereby calling on the cooperatives to continue to produce and take care their members with these responsibilities in mind.

We are calling on the members and employees of our cooperatives, our cooperative pensioners and every reasonable member of society not to allow agriculture to be thrown into anarchy, and to resist the forcible destruction of our cooperatives.

Do not believe the slanderous accusations levelled at the cooperatives and their members, or the unsupported and irresponsible promises that have been made.

We demand that only their rightful owners, the cooperatives themselves, be allowed to make decisions concerning the future and property of the cooperatives. We demand, furthermore, that the government live up to its responsibilities and with special dispatch present to parliament a draft compensation law that reflects a social consensus, incorporating the principles of property reform in the constitution.

Budapest, 14 June 1990  
The National Council of Agricultural  
Cooperative Members and Collectives

#### Minister of Environment Interviewed

90CH0314A Budapest MAGYAR HIRLAP  
in Hungarian 23 Jun 90 p 4

[Interview with Minister of Environment Sandor K. Keresztes by Attila Vodros; place and date not given: "Will Environmental Protection Become a Successful Ministry?"]

[Text] [Vodros] Mr. Minister, within only a short period you have answered an endless number of questions pertaining to your area of responsibility. However, since environmental protection, in my opinion, has become more of a political issue, I would like to find out from you whether you consider your appointment to be a professional or a political assignment?

[Keresztes] Like most ministerial appointments, this too has been an openly political one. However, besides his political role, a minister also represents a profession, first of all within the Council of Ministers vis-a-vis the other ministers, and secondly toward society which wants to see him perform his professional duties.

[Vodros] I had this latter point in mind, assuming that if the government is unable to deliver quick results in other areas of the economy, then the political thing to do would be to show that they are doing something in environmental protection.

#### We Need To Build a Background Industry

[Keresztes] Your train of thought appears logical, however I still do not believe that environmental protection will be the successful ministry that will put the government in a favorable light. There are many reasons for this, particularly the myriad of unsolved problems that have accumulated as a result of the relative backwardness of the past several years. Naturally, if we were to fail to become a successful ministry it would not be because of our inability to implement measures which, within a short period of time, would be considered a success by a great majority of the nation. The reason why I have said a great majority of the nation is because anyone who thinks that there will be no opposition even to the best environmental measures, is wrong. Take transportation, for example, which is one of the significant



sources of pollution. It is not at all certain that Trabant owners would back the ministry in a sudden decision to ban from the road vehicles with two-cylinder engines. And, obviously, there will also be people who will oppose our professionally as well as environmentally justified measure aimed at protecting the capital city's green belts. I have encountered similar opposition whenever I talk about the construction of the M0 freeway, for, although it has been received favorably by the residents of the capital city, those who will have to live near the freeway, or whose real estate we will have to expropriate, are strongly against it. Naturally, in preparing these kinds of plans we must carefully weigh which segments of society look upon it favorably, and which are the ones that reject it.

[Vodros] The Ministry of Environmental Protection, as you have suggested, cannot expect quick successes. But can it expect, in light of our mounting concerns and problems, to receive needed funds for environmental protection, which perhaps will further add to our country's foreign debt obligations?

[Keresztes] Look, this is also a question of one's point of view... If we look at it from the vantage point of the creditors, it has been my experience that the Western governments are glad to extend credits and support for investments in environmental protection. To underscore this, my Western colleagues have already committed themselves to work out a credit structure aimed at promoting environmental protection in our part of Europe. Naturally the Hungarian government must also weigh whether or not it can afford to further increase the country's debt obligations by investing in specifically environmental-protection oriented projects. At the same time we must also not forget that the credits we have assumed for restructuring purposes also serve our environmental protection goals. This is understandable, since the more advanced an industrial technology is, the more friendly it is to the environment.

[Vodros] Within the sphere of environmental protection there are certain unsolved problems that will require our country to obtain money to solve. This is what I had in mind, not the obvious fact you have talked about, Mr. Minister.

[Keresztes] The ministry has not had a chance to look into the option of seeking direct foreign assistance to help improve the quality of our air, protect our waters and dispose of our dangerous waste materials. Determining whether or not we should, and perhaps going ahead with such a request will be decided later. It is already certain, however, that if we want to achieve a significant improvement in the quality of our environment, it will not be enough to rely on technological imports; we must also lay the foundations for a domestic environmental protection industry. To use transportation as an example again, what we need is not to import catalytic converters from abroad, but to manufacture them right here at home. I feel that our infrastructure-related investments also fall within this category, hence they are deserving of foreign credits.

#### After the Elections

[Vodros] You really have not been minister for long; I would be interested to know whether or not during this short time your opinion has changed about our attitudes toward the environment?

[Keresztes] This is a very complex question. I trust that, in view of the outcome of the local elections, Hungarian attitudes toward environmental protection will change. People are beginning to look more and more at their narrowly or more broadly defined environment and world as their own, hence eventually it should become easier and require relatively little investment to solve the problems we are not yet ready to address. What do I have in mind? Selective waste disposal, for example. Putting the containers out cannot be a problem, but what is placed into them can be. With the consolidation of local governments I hope this possibility can be pursued on a more solid foundation.

[Vodros] Do you see any differences in this respect between city and village dwellers?

[Keresztes] Worldwide, there are differences between city and country, or more nicely put, village dwellers. Both life styles have their own customs that are closely connected with environmental culture.

#### Protracted Reorganization

[Vodros] In your opinion how strongly is the prime minister committed to environmental protection, in other words, how important does he consider your ministry to be?

[Keresztes] It is clear from the government's program that Jozsef Antall feels very strongly about the importance of environmental protection. To give you an example, many of the topics discussed in his recent negotiations in West Germany were closely related to our functions.

[Vodros] Obviously the Bos-Nagymaros [barrage] was an unavoidable issue to raise in his negotiations with Chancellor Vranitzky. What kind of agreement do you think they have reached?

[Keresztes] I am not exactly sure, as the countless events since his visit has not allowed us to discuss the outcome of his talks.

[Vodros] The reorganization of your ministry's scope of action has given rise to anxiety and tensions. When can a final decision be expected?

[Keresztes] There is no question it would have been better to make an early decision, but, in order for us to address our organizational tasks in a well-prepared and

professionally sound manner, we need time. A ministerial commissioner has been assigned to ensure that the managers of our provincial enterprises have a chance to express their views regarding the reorganization. But the final decision is yet to be made.

### **Soviet, Hungarian Views Differ on Dollar-Based Trade Settlement**

90CH0310A Budapest MAGYAR HIRLAP  
in Hungarian 11 Jun 90 p 6

[Interview with Istvan Tamas by Melinda Kamasz; place and date not given: "Where Is the Market Here? Mixed Solutions in Hungarian-Soviet Trade Settlement"—first paragraph is MAGYAR HIRLAP introduction]

[Text] We are nearing the final hours: Starting next year, Soviet-Hungarian trade will be settled in hard currency, yet even though we are already in June, apart from an understanding in principle the experts involved in the negotiations still have virtually nothing to report in the way of any specific agreements. This despite the fact that there are still a number of outstanding issues to resolve. One could say that it is in the details where the devil is lurking. We have asked ministerial commissioner Istvan Tamas to tell us about the Soviet and Hungarian positions.

[Kamasz] What is the basic difference between the two countries' ideas?

[Tamas] We would like a complex agreement that would allow the shift to occur under completely market-governed conditions. In other words, we would like our enterprises to be able to trade with one another freely, completely independently and in dollars. The Soviet side has only accepted two elements of this comprehensive proposal, namely the use of world market prices and the settlement of accounts in hard currency.

### **Rough Calculations**

[Kamasz] These are the two most important components. So what is the problem?

[Tamas] The fact that the Soviets insist on retaining strong state intervention. In the Soviet Union virtually everything is decided by the planning office. Even the question of who can have access to how much money; who gets rubles this year and dollars next year. What free interenterprise trade means under such circumstances is that firms buy not what they want, but as much as the money allotted to them allows. So no matter what we use to settle our trade, market relations in this case only exist in principle.

[Kamasz] Would the Soviets prefer clearing or free-currency-based dollar settlements?

[Tamas] Under no circumstances would we want clearing. The Soviet plan consists of two parts. One pertains to state orders, i.e., lists of imports compiled at the beginning of the year for which the enterprises are certain to be granted hard currency. Here settlement in

free currency can be viewed as a possibility, for the Soviet firms are able to pay immediately. Presumably, these goods would include strategic articles, items that are vital to the economy. As for the other half of their trade, the Soviets want to limit foreign purchases of certain enterprises to the amount of hard currency they earn. This—although not necessarily—will probably lead to barter trade like arrangements as these present the least complications for the enterprises.

[Kamasz] What will be the relative ratio between these two forms of trade?

[Tamas] At the negotiations the Soviets have estimated the proportion of state orders to be somewhere between 30 to 60 percent.

[Kamasz] This is a pretty loose figure. Many experts feel that if a clearinglike settlement were to prevail, nothing would change in the relationship between the two countries.

[Tamas] We must accept the fact that if the Soviet Union were to opt for the above system, we will have no choice but to adapt.

[Kamasz] What opportunities are left open to the Hungarian negotiating side in this kind of a stalemate?

[Tamas] We must also not forget that for the most part it has been the enormous volume of Soviet orders that has made our industrial structure what it is. Hence it would be unfair to lay the blame on any one side for the negative consequences of our trade so far.

### **Open to Appeal**

[Kamasz] Are you suggesting that the Soviets should assume a share of our estimated 1.5 billion dollar deficit?

[Tamas] This could be one possibility, for example. We also feel, however, that in the short run the Soviet state should continue to guarantee the purchase of Hungarian products.

[Kamasz] But where is the market then?

[Tamas] This is not a long-term idea. What we need are a few "helping" measures to help us avoid losses that might result from the transformation. All we would like is to ensure that in those areas where enterprises have been buying Hungarian products the moneys disbursed by the planning office continue to be used for buying mostly Hungarian products. Of course, if after all of this the firms still cannot come to an agreement, they would not be obliged to buy. For today still, if two enterprises for whatever reason are unable to come to an agreement they can still appeal to the ministry for help. And once taken to that level, in most cases they can resolve the problem. So from this point of view, our proposal would be a step forward.

**Lack of Information**

[Kamasz] There is only a half a year left until the implementation of the new system of settlement. If there are still this many outstanding issues, how can it be put into effect by the beginning of next year?

[Tamas] We have agreed with the Soviets that by the end of the first 6 months we will have had to finish negotiating about the basic concept. I doubt that we will be able to adhere to this schedule. I can only say that we must continue to negotiate. Of course, in addition to the ones already mentioned there are many other problems that need to be addressed. The fact, for example, that in the Soviet Union they still do not have a banking and monetary system in place that would lend itself to the establishment of market conditions, whereas in our country we already more or less have such a system. Who is going to tell a Hungarian enterprise whether or not its partner is solvent? Even in the Soviet Union, there is no one who could answer this question today. What we would like to see is an organization to which Hungarian enterprises could turn for help in this area.

[Kamasz] Assuming that the Hungarian delegation is successful in convincing the Soviet side to go along with these requests, would this help to limit our losses as we proceed to shift markets?

[Tamas] This is impossible to predict. Our trade volume will probably decline; this is already clear from the current trends. Also deteriorating will be our balance of trade, although here a lot will depend on the development of world market prices. There is no question, however, that long-term structural transformation will require a shift in our market orientation.

[Kamasz] Are there any new developments concerning the Soviet licensing system announced last week for Hungarian exports?

[Tamas] I can only tell you that we have received no additional information.

**POLAND****Effects of Demise of Transferable Ruble on Polish-CEMA Trade Examined**

90EP0798A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 2 Jul 90 p 2

[Article by Danuta Walewska: "Trade in CEMA After 1 January; With Whom and for How Much?"]

[Text] Consultations and bilateral negotiations with our individual partners from CEMA took all of the first half of the year. Their goal was to set forth the guidelines for economic cooperation after 1 January 1991, or after the death of the transferable ruble used until now for settlements in the former "socialist commonwealth."

The Polish position was obvious: striving for the application of the rules of the market, world market prices, and convertible currencies. However, the degree of advancement of economic and political reforms in Poland and other former socialist countries differs. Therefore, during a period of transition (two to three years) the need may appear for convertible currency clearing of payments with countries such as Bulgaria, the CSFR [Czech and Slovak Federal Republic], Romania, and the USSR. This principle will also be a guarantee of maintaining the level of trade in a way and will facilitate access to markets.

This is what the status of coordination with individual countries is as of now:

**USSR**

In the years 1991-92, trade and settlements will proceed through dollar-denominated clearing. After this period, clearing will be reduced in favor of convertible currency trade settled in currencies.

Some of the goods (crude oil, natural gas, and electricity in imports; some raw materials and consumer goods in exports) exchanged through clearing will be mandatory in nature. Trade will be determined by the central planning offices of the Republic of Poland and the USSR.

Clearing trade in items other than raw materials will be carried out based on commodity lists. The clearing segment will be reduced continuously.

The balance of clearing exchanges will be settled in cash. Technical credit will be set at five percent of the expected sales, or about 500 million dollars. Up to the amount of 200 million dollars, the rate of interest will be low. The remaining 300 million dollars will be at the interest rates of the international market. A balance exceeding the level of this credit will be paid in convertible currencies every half year.

Beginning in 1991, contracts between individual enterprises will be signed in world market prices.

Certain negative consequences will be unavoidable. Losses are also to be covered in equal proportions. This is supposed to include the remission of technical credit and the segment of the balance subject to conversion to convertible currencies by the Polish side every time.

Terms of trade will deteriorate. Therefore, with a view to ensuring funds for financing in 1991 imports identical to those this year, Polish exports must be increased by 1.2 to 1.5 billion dollars annually, as has now been calculated, or by 6 to \$7.5 billion dollars between 1991 and 1995. Is this realistic? Most likely it is not. However, it may be assumed even now that under such circumstances imports from the Soviet Union will also decline considerably. This is indicated by a decline of such imports right now, despite the fact that the transferable ruble still exists.

In the first four months of this year, supply imports from the CEMA countries declined by 30 to 40 percent.

#### **Czech and Slovak Federal Republic [CSRF]**

Convertible currencies and world market prices will apply effective 1 January 1991. In the period of transition, 1991 and 1992, convertible currency clearing will apply with regard to machines and equipment, as well as construction and assembly services; all of this will be based on indicator lists of goods. The balance will be settled according to a three-term formula—credit at low rates of interest, credit with interest, and conversion into an effective convertible currency. There are still differences in positions with regard to settlements for the balance of payments as of 31 December 1990 (the CSRF wants to redenominate it from rubles to a convertible currency, whereas Poland wants to supply goods in the first quarter of 1991). Payments and settlements for the sulfur credit will be made by means of additional exports and deliveries of goods and services in the first half of 1991.

Before the end of July, the experts of the Republic of Poland and the CSRF will prepare draft agreements on the technical aspects of trade payments after 1 January and on the mode of noncommercial payments.

#### **Bulgaria**

Beginning 1 January 1991, payments will be made in convertible currencies. In the period of transition, between 1991 and 1993, they will be made on the basis of quotas set on an annual basis. The Bulgarian side would like the quotas to be mandatory, whereas we would like them to be tentative. The rate of exchange will be the same for commercial and noncommercial payments. Contracts will be signed between economic units based on individually set prices. The difference in positions also includes settlements of the balance (a positive balance for Poland is expected). The Bulgarians want to settle it in goods until the end of 1991; we likewise want a settlement in goods, but only until 30 June 1991. If it is not settled prior to this date, it will be settled in convertible currencies prior to 15 July.

#### **Romania**

Settlements [are made] in convertible currencies with clearing used on a temporary basis. The payment of the

sulfur credit (a Polish proposal) will be made by delivering goods worth 80 million rubles to the USSR and goods worth 20 million rubles to Romania.

#### **Hungary**

It was agreed (28 May-1 June) that beginning 1 January of next year we will switch to payments in convertible currencies. Prices in convertible currencies and terms for payments and deliveries will be coordinated independently by organizations entitled to engage in foreign trade. However, the Hungarians believe that it is feasible to maintain the tentative nature [of arrangements], whereas we do not see such a need.

Before 31 August, draft agreements on procedures for commercial and noncommercial payments will be developed, and before 15 September, a draft of a general trade agreement. The Polish proposal is to pay the balance as of the end of 1990 by the deliveries of goods and services over six months, but both parties should strive to equalize the balance of payments before the end of the year.

#### **GDR**

After 1 January, settlements will be made in convertible currencies; however, until the end of this year they will be made in rubles (with the exception of noncommercial payments; the GDR canceled these agreements on 23 May). Poland proposed to switch to freely convertible currencies after 1 July of this year, or to maintain the transferable ruble until the end of the year. Procedures for noncommercial payments and the rate of 1 transferable ruble = 3.96 DM would be maintained. Contracts for construction services will be settled for separately.

#### **Mongolia**

Switching to convertible currencies.

#### **Cambodia and Laos**

The agreements providing for settlements in genuine, convertible foreign currencies have been initialed.

#### **Vietnam**

The Polish proposal to switch to settlements in convertible currencies beginning 1 January has been agreed to; however, the Vietnamese have asked to maintain clearing (temporarily) for certain raw materials.

So far, there are no coordinated arrangements regarding the terms of future trade exchanges with the DPRK and Cuba.



## HUNGARY

**Freemasons: Growing Activities Reported**

25000777C Budapest MAGYARORSZAG in Hungarian  
No 30, 27 Jul 90 p 19

[Article by Gyula Sary: "Freemasons—A View From the Lodge"]

[Excerpt] [passage omitted] It is conceivable that we will hear a lot in the future about the freemason movement because life in lodges in Hungary has once again resumed after being banned for many decades. In August 1989 the Ministry of the Interior gave permission for the continuation of the freemason movement. The movement resumed with a supranational meeting.

In these days the freemasons of the world are gathered in two types of lodges which operate on the basis of somewhat different rites. The basic rules of both are identical. They hold different views in regard to a few issues, and this division does not foster unity, even though it does not divide the movement.

**Seeker and Master**

The Grand Orient de France, one of the grand French lodges, adopted a few concessions regarding organizational and ritual issues as part of its constitution. One of the debated theses pertains to permitting [female] sisterhood, the other pertains to openness vis-a-vis society. Accordingly, the French want their lodges to pursue increased activities in public life, while at the same time they would permit greater insight into their internal affairs. Also the view concerning religion is different in the two trends, because the French lodges—also referred to as followers of Latin—endeavor to narrow the concept of god in the direction of deism, while lodges belonging to the order of Saint John insist on the Judeo-Christian god concept. The fact that the Latin rite prescribes 33 degrees in which the "seeker"—a person requesting admission—reaches the highest rank in the hierarchy,

whereas followers of the Saint John rite of order of lodges—i.e., the English, symbolic order—recognize only the ranks of the seeker, the apprentice, the lad and the master, also represents a peculiar difference. The Latin rite mentioned above does not grant concessions, it turns inward instead. It professes that the "building of the church," that is, the process of spiritual integrity and of the accumulation of spiritual values—may be realized only in the framework of a most devout life in lodges. Anything that disturbs such devout life—for instance, publicity, the presence of women, a role in public life, religious differences—must be rejected.

**Dubious Unity**

Accordingly, a year ago in Hungary the freemason movement according to the rites of Saint John once again embarked on its path, and not too long ago the Paris-based Martinovics Lodge brought to life a Latin lodge in Szeged under the name "Universum." Consistent with the French mentality, this lodge went public instantly: They presented their ideas on 27 June at the headquarters of the Society of Urban Sciences. Nevertheless, several lodges following the rites of Saint John were not mentioned either at the presentation or afterwards. For this reason many may have felt that only the Szeged lodge exists. Second, the [name] Universum, that is, Universality, suggests that the lodge represents the universal freemason movement. The reality is that lodges following the rites of Saint John have for long been seeking an opportunity to unify the rite and the rules. The most imminent occasion in this endeavor will be the conference of the UFL, the Universal Freemason League, to be held in Lyon, France, on 22-26 August. This will be a main issue at the meeting.

Accordingly, the goal is for the freemason movement to take its own steps in the direction of universality in a Europe which intends to become unified. It would be odd if the freemasons of nations which enter into common political unity could not streamline their activities in the interest of unity because of ritual issues and matters of formality.

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